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**AGRICULTURE, RURAL DEVELOPMENT,
AND RELATED AGENCIES APPROPRIA-
TIONS FOR FISCAL YEAR 1985**

HEARINGS

BEFORE A

**SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE**

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 5743

AN ACT MAKING APPROPRIATIONS FOR AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES PROGRAMS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1985, AND FOR OTHER PURPOSES

PART 3 (Pages 1-268)

NONDEPARTMENTAL WITNESSES

Printed for the use of the Committee on Appropriations



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**AGRICULTURE, RURAL DEVELOPMENT, AND RE-
LATED AGENCIES APPROPRIATIONS FOR FISCAL
YEAR 1985**

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

STATEMENTS AND LETTERS FROM SENATORS

[CLERK'S NOTE: The following statements, letters, and supportive materials were submitted to the subcommittee by Members of the Senate and will be considered by the subcommittee as testimony in lieu of an oral hearing.]

The submitted material will be valuable to the subcommittee as it considers the levels of funding for the programs under its jurisdiction. The subcommittee wishes to thank these Senators for their concern and participation in the formulation of the fiscal year 1985 agriculture appropriations bill.]

LETTER FROM SENATOR BAUCUS

Senator Thad Cochran
 Chairman
 Appropriations Subcommittee on Agriculture,
 Rural Development and Related Agencies
 SD-140
 Washington, D.C. 20510

April 27, 1984

Dear Mr. Chairman: *Thad,*

Thank you for requesting my comments on this year's agriculture appropriations bill. I do have several concerns that I ask you to consider.

As you know, I have appeared before your Subcommittee in the past asking for funding for noxious weed research, particularly leafy spurge, to be conducted at Montana State University and the Sidney Research Station, an Agricultural Research Service facility located at Sidney, Montana. It is essential that the funding for this important research be maintained at current levels.

I am attaching a copy of a letter from Mr. James Welsh, Dean and Director of the College of Agriculture at Montana State University, which points to the need to continue funding for the CSRS portion of the USDA budget for special grants for biological control at last year's \$480,000 level.

Mr. Welsh's letter also points out the problems that have come up as a result of a U.S. Court of Appeals decision that restricts the U.S. Forest Service and the Bureau of Land Management from using herbicides on federal land. There is a growing problem with spotted knapweed in western Montana that largely occurs on Forest Service land. The Forest Service must commit additional resources toward developing a knapweed control program on these lands. The need has been increased by the recent Court ruling. I ask that you include language in the Committee's report directing the Forest Service to address this problem and report to Congress on their plan for bringing knapweed under control.

I am also concerned over the future of the ongoing Muddy Creek erosion control project that has been identified by the Montana Water Quality Bureau as the State's worst water quality problem. The Soil Conservation Service serves as the lead agency in this project, with a Project Coordinator's position being funded by the Cascade and Teton County Conservation Districts. Without a minimum of \$100,000 for this position, the federal and state efforts over the past several years will be lost.

I ask that Soil Conservation Service funds be made available for the Project Coordinator's position.

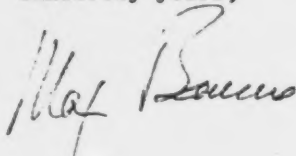
Finally, I ask that the Committee consider the request of Montana State University for federal assistance in expanding and improving the capabilities of their new controlled environment-greenhouse complex. The State of Montana has committed \$5.3 million for this facility. To develop a maximum containment facility for quarantine and isolation of plant pathogens to compliment the State-funded facility, Montana State is asking for \$900,000.

Additional MSU and USDA research plans require an additional glasshouse range with benches, lights and other equipment at an estimated cost of \$400,000. Both of these requirements are described in more detail in the March 6 letter that I attach from Mr. James Welsh.

Once again, thank you for considering my requests. If I can provide any additional information or assist you in any way, please do not hesitate to call on me.

With best personal regards, I am

Sincerely yours,



LETTERS FROM JAMES R. WELSH, DEAN AND DIRECTOR, MONTANA STATE UNIVERSITY

Mr. Dave Voight
730 Hart Building
Washington, D.C. 20510

March 6, 1984

Mr. Bob Vogel
706 Hart Building
Washington, D.C. 20510

Mr. John Rourke
409 Cannon House Office Bldg.
Washington, D.C. 20515

Gentlemen:

This is a follow-up of earlier conversations regarding additional facilities associated with the new controlled environment/greenhouse complex for plant science oriented research at MSU. As you will recall, I agreed to provide you with a statement of our needs as details on the new facility were developed.

As presently designed, the controlled environment facility will contain a complete insect isolation and quarantine capability. This will enable the biological control research group to handle all levels of insect introductions and research activities. This has been developed in close cooperation with USDA and APHIS. Therefore, we will have the capacity to work closely with USDA in entomology-related aspects of biological control.

The area where we are partially deficient is associated with plant disease investigations in biocontrol. The facility will contain a pathology section which has medium containment capacity and will be able to handle most of the routine pathological studies on introduced diseases for biocontrol. However, the funds provided by the State were not adequate to develop a maximum containment facility for quarantine and isolation of plant pathogens. Therefore, we are proposing that additional federal funding be made available to add a headhouse-greenhouse-laboratory which will consist of the following units or elements:

1. solid and liquid waste disposal (pasteurization system)
2. air filtration
3. impact proof glass (if glasshouse is built)
4. growth room space
5. autoclave
6. quarantine entryway system
7. dew chambers
8. plant incinerator

9. two to three research wet labs with benches, sinks, etc.
10. mechanical capability as needed for a self-standing unit

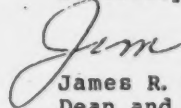
The headhouse-greenhouse-laboratory will have a 3,000 sq. ft. plant growing area, a 150 sq. ft. dew chamber, a 600 sq. ft. research laboratory, and a 300 sq. ft. disposal room. The gross area including support facilities will be approximately 6,600 sq. ft. The project construction cost for this would be \$900,000. This facility would be directly attached to the new controlled environment facility and would become an integral part of the research program and facilities development activities. This addition would provide maximum containment capacity for pathology. With the new entomology facilities provided by the State, it would represent an outstanding regional facility that should serve both the State of Montana and USDA regional and national activities.

In addition to the highly specialized pathology facilities, long-range research plans for both MSU and USDA require one additional glasshouse range similar to two ranges being developed in our current plans. This additional glasshouse range with benches, lights and other equipment is estimated at \$400,000. We have allowed for expansion of the glasshouse space in our original planning. This wing would be directly attached to the controlled environment facility and provide additional space for biocontrol research and other USDA-related activities that are appropriate to the program.

I hope this information will be of value to you. The \$5.3 million committed by the State of Montana represents a major investment in plant science research. The partnership concept between the State of Montana and the USDA has always been of vital importance in agricultural research and development. Hopefully, the federal system will be able to assist with this facilities development to provide a complete research facilities package in the near future.

Please feel free to contact me for additional information. We will look forward to your response in this matter.

Sincerely,



James R. Welsh
Dean and Director

Mr. Bob Vogel
706 Hart Building
Washington, D.C. 20510

March 19, 1984

Mr. John Rauk
409 Cannon House Office Bldg.
Washington, D.C. 20515

Mr. Dave Voight
730 Hart Building
Washington, D.C. 20510

Gentlemen:

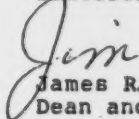
I want to share with you my continued deep concern about weed control issues in Montana. I am sure you are all familiar with the recent Federal Court decision banning the use of all chemicals on national forest lands. This decision suggests that biological control is the only real alternative left in dealing

with weed issues on forest lands, and I suspect possibly all public lands at some point in the future. Even if this decision is overturned, I believe some significant signals are evident regarding future interactions of chemicals, environment, and the public. It seems to me that the time is critical to pursue the development of additional research capacity to address this issue. I call your attention specifically to my recent correspondence regarding the need for additional facilities to handle pathogens which can potentially be used for weed control. Quick and decisive action on this issue will result in Montana satisfying local, regional and national needs in biological control of weeds. I will be more than happy to provide any additional information needed to move this forward. A strong state-federal partnership in the controlled environment facility represents a long-term investment for the betterment of society.

In a separate but related issue, the CSRS portion of the USDA budget contains a special grant section for biological control totaling \$480,000. This item was not included in the executive budget but has been requested for reinstatement by the National Association of Land Grant Universities. This money, which existed for two years before being eliminated from the budget, has been extremely valuable in biocontrol of pests. In the Western Region, the funds have been used to enhance biological control of weeds on western rangelands. I am the Administrative Advisor for the group of scientists working on this project. We have just completed a meeting in Spokane, and I am happy to report that the money has been extremely valuable in stimulating research in this area. Other states as well as Montana which have critical range weed problems have used the funds to capitalize on weed programs. Spotted knapweed and leafy spurge are two targeted species for this effort. I would strongly urge your support for the maintenance of this special grant area in the future. I would be happy to provide details on the research being covered by these funds at the present time. I am confident you would be pleased with the effort.

Thanks for taking the time to consider these issues. The Montana Agricultural Experiment Station will continue to maintain a productive, efficient program to address agricultural issues appropriate to the economy and the well-being of the State.

Sincerely,



James R. Welsh
Dean and Director

STATEMENT OF SENATOR BIDEN

Mr. Chairman, thank you for the opportunity to present testimony on the agricultural budget to the Agriculture Subcommittee of the Appropriations Committee.

While I have a number of disagreements with the priorities contained in the the President's budget, I would like to focus my remarks on two programs that the President has targeted for elimination in this year's budget request: The Farm Safety Program of the Extension Service and the Rural Fire Prevention and Control Program of the Farmers Home Administration. I have found these two programs to be important to my state, and I am sure to others as well, for the simple reason that they save lives.

First let me address the Farm Safety Program. Farming is one of the most hazardous occupations a person could choose. Nationwide, over 1,900 lives will be lost and 190,000 injuries will occur on farms. In Delaware, one out of every five farms will be involved in an accident that results in a disabling injury. Statistics also show that about two farm-related deaths occur in the state every year. Clearly, there is a need for a farm safety program in this country.

New agricultural technology has turned farming into a hybrid of occupations. To be successful, a farmer must be part mechanic, scientist, engineer, electrician, machine operator, and laborer. Farmers cannot be expected to have full knowledge of all the dangers involved in each of these specialties. In particular, during planting and harvesting seasons when time is at a premium, safety considerations are not foremost on a farmers mind. Unfortunately, there is no choice but to try to perform the tasks as well as possible if the farmer hopes to remain productive, and maybe even profitable.

In my conversations with Delaware farmers, the topic of hazards on the farm rarely arises. However, every one of them know of Ron Jester and his work as the safety specialist for the Extension Service in Delaware. It seems that every Delaware farmer has had contact with Ron at one time or another, and every one of them spoke highly of his efforts. Many of them also knew that the Farm Safety program had been eliminated in the Reagan budget, and their reaction has usually been to question the rationale behind this proposal.

The fact that almost every grower, farmer, and dairyman knows of Ron Jester's work is testimony to the reach he has achieved in the state. Through the press or in person, Ron urges farmers to tackle safety projects before they become safety problems. He knows that a danger-less farm is an illusory goal, but creating a safety-conscious attitude on the part of the farmer is possible. Making farmers aware of the hazards that exist is a big step toward avoiding trouble and saving lives.

In the explanation of the proposed elimination of the Farm Safety Program, the Executive budget notes that the purpose of the program was to focus attention on a problem of national implication. It goes on to claim that the importance of the Farm Safety Program has been demonstrated so effectively that one-half of the states will continue this type of program without specific funding from the federal government. However, viewing these figures from the other side shows that one-half of the states will not be able to fund a farm safety program, and many of those that can continue a program will probably do so at a reduced level. While the administration decries inefficiency in

government, it proposes to eliminate a program because it has been so effective. The logic escapes me.

If progress in developing new agricultural technologies ceased, and farmers could give safety considerations the attention they deserve, then the need for a program that stresses farm safety might be reduced. Until that time arrives - and I don't think it will be for quite a while with all the innovations that appear ready to be applied to agriculture - continued support will be necessary so that the hazards in farming will be better understood and addressed.

The administration has also allocated no money to the Rural Fire Prevention and Control Program, funded through the Farmers Home Administration. The RFPC provides funds to states for distribution to rural communities so they can obtain fire fighting training or equipment.

Delaware has chosen a very interesting and unique method to allocate their funds. Communities across the state, in cooperation with the state forester, agreed to pool the state's grant to fund a fire school. This institution is considered one of the best of its kind in the country and serves all 61 fire departments in the state, all but one of which are volunteer.

Many people do not think of Delaware as a rural state, but 57 of those fire departments serve rural areas. The fire school these funds support provides yearly training in fire fighting techniques to nearly 13 thousand student firemen in the state. The school offers courses in fire-related subjects ranging from officer instruction and emergency care to vehicle rescue and the handling of hazardous materials. Another 25 to 30 thousand Delawareans take part in fire safety programs run by the school. To make sure that as many of those who need instruction are able to receive it, the school also goes on the road for in-service instruction.

Because the overwhelming number of Delaware's fire departments are in rural areas, the school provides instruction in problems that are endemic to these areas. For example, gasoline and propane fires are much more common in rural areas than in urban ones. The proper strategy to combat these types of fires are different than what would be used to save a burning house or apartment building. The instruction the school gives the students is geared to addressing the type of situation that they are expected to encounter. There is no replacement for the services the fire school provides to Delaware's fire departments.

One apparent reason for eliminating this program is that the administration believes that other programs are available that communities like Seaford, Smyrna, Middletown, or Greenwood could use. The possibility of funding through loan programs was raised. How the loans are going to be repaid is not explained. The fact is that fire departments are in a tight enough financial position without having to raise additional funds to pay back a never-ending series of loans.

A second reason for making the cut is that this is a small program. I would like to assure the chairman - and I am sure that all Delawareans will back me up on this - is that quality can come in small sizes. Look at the benefits this program provides. It is hardly the place to start looking for cuts.

Mr. Chairman, I am not sure how the decision to cut these programs was made, but I would like to urge the Appropriations Committee to correct this error as they have done in the past. I appreciate your attention to these small, but highly beneficial programs. Thank you for your time.

LETTER FROM SENATOR DOMENICI

The Honorable Thad Cochran
Chairman
Subcommittee on Agriculture
and Related Agencies
Senate Committee on Appropriations
Washington, D.C. 20510

April 30, 1984

Dear Thad:

In response to your letter of April 9, 1984, I would like to bring to your attention several funding items of particular importance to me for your Subcommittee's consideration in the FY 1985 bill. These items are as follows:

Rangeland Research Program

Last year, I requested that the Subcommittee consider an appropriation of \$1.0 million for a cooperative rangeland research program. The FY 1984 Senate bill contained this funding; the provision was lost in conference with the House however.

I would like to renew my request that \$1.0 million be provided in FY 1985 for this program. The effective management and increased productivity of our native rangelands is critical to western agriculture. The Agriculture and Food Act of 1981 authorized up to \$10.0 million annually for a cooperative rangeland research program. Although the Department of Agriculture does conduct some rangeland research under broader authorities, no funds have been specifically appropriated for the program envisioned by the Agriculture and Food Act of 1981. Such monies could be used to provide matching grants to land-grant colleges and universities having a demonstrated capacity in rangeland research. Suggested report language on the program is attached.

Guayule Research

Research funding that has been provided for the development and commercialization of guayule is critical in my view. We must continue and advance this research to reduce our nation's dependence on imports of rubber. I would urge the Subcommittee to continue at least current levels of funding through Agricultural Research Service and Cooperative State Research Service programs for guayule research.

Drought Relief

Currently, in several states, severe drought conditions which began last year continue to ravage farm and ranch lands. I would hope that language regarding USDA program availability, such as emergency livestock feed programs for such areas, could be included in the report accompanying the FY 1985 bill. As you are aware, last year we had to force USDA into action to make these programs available to drought-stricken areas.

Pest Control Programs

Based on the information I have received from my State, no justification exists to eliminate the range caterpillar control program or to reduce funding for the grasshopper and Mormon Cricket control activities as requested by the President. I am also concerned that the FY 1985 funding proposed by the President is only for survey

and method developments to aid farmers in the control of the pests, not for aid in the physical control of them.

The intermingled pattern of federal, state and local land ownership in the West makes Federal involvement in any effective pest control activity absolutely essential. I would urge the Subcommittee to provide adequate levels of funding for these control programs in FY 1985.

I would also like to reiterate the need to make FY 1984 funds available for the range caterpillar control program. I have previously written to you regarding the serious problems my State still faces with this pest and the need for federal funds to continue control efforts this year.

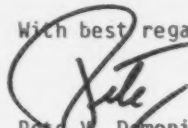
Child Nutrition Programs

In closing, there is one additional matter I would like to bring to your attention. As you are probably aware, in FY 1980, funds were transferred from the child nutrition programs to the food stamp program, causing a shortfall in FY 1980 funding for child nutrition programs; this shortfall was made up by allowing the USDA to pay September 1980 claims with FY 1981 funds appropriated for the program.

Ever since that time, we have continued to rollover the shortfall, allowing September claims in one fiscal year to be paid from funds appropriated for the program in the next fiscal year. This rollover could cause problems if shortages exceed the amount necessary to pay August/September claims. It would also be sound budget accounting practice to reflect spending for this program in the fiscal year in which it actually occurs. A one-time funding increase would eliminate this shortfall and put the program back on sound financial footing.

Thank you for the opportunity to express my views. Your Subcommittee's consideration of the above matters will be greatly appreciated.

With best regards,



Peter V. Domenici
United States Senator

Suggested Language:

Cooperative State Research Service

Rangeland Research Program

The Committee recommends \$1,000,000 for implementing a rangeland research program as authorized by the Agriculture and Food Act of 1981. The cooperative rangeland research program should be designed with the objective of improving the productivity of our Nation's public and private rangelands. The program shall also emphasize methods for improving rangeland management so as to directly benefit our Nation's livestock industry. Out of the monies appropriated, the Secretary will make grants to land-grant colleges and universities, State agricultural experiment stations, and to colleges, universities, and federal laboratories having a demonstrated capacity in rangeland research.

LETTERS FROM SENATOR HATCH

Honorable Thad Cochran
Chairman
Subcommittee on Agriculture,
Rural Development, and
Related Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

April 17, 1984

Dear Thad:

Thank you for your letter regarding the Appropriations Subcommittee on Agriculture, Rural Development, and Related Agencies schedule for consideration of the President's Fiscal Year 1985 budget request.

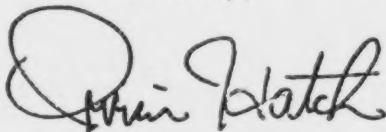
As you know, I have specific concerns that the funding levels of the emergency programs administered by the Agricultural Stabilization and Conservation Service and the Soil Conservation Service be maintained at adequate levels.

Attached you will find copies of my request to the administrators of those agencies to evaluate their financial capability to meet the disaster needs of Utah, as well as other areas of the country, with no supplemental increase in emergency program funding levels.

I have asked the Department to relay this information to me as soon as possible, so that any needed increase in these funds can be considered by your subcommittee.

I appreciate your willingness to work with me on this issue. I understand that Irma Hanneman of your subcommittee staff has been very helpful. I hope you will pass on my thanks to her.

Sincerely,



Orrin G. Hatch
United States Senator

Mr. Peter C. Myers, Chief
Soil Conservation Service
U.S. Department of Agriculture
South Agriculture Building
Room 510A
Washington, D.C. 20250

April 11, 1984

Dear Mr. Myers:

Last year the state of Utah experienced the most extensive flooding in its history. Public and private facilities, roads, agricultural lands and residences suffered million of dollars in damages.

Unfortunately, another year of record precipitation and snowfall have made the recurrence of this disaster a virtual certainty. In anticipation of this impending event, I believe

it is important to ensure that the necessary emergency assistance programs are available to Utah ranchers and farmers.

Last year the Department of Agriculture was very helpful and sensitive to the needs of my state. I have heard nothing but complements as to the manner in which SCS operated their emergency watershed program during this crisis. Let me again express my appreciation to you and your staff for your work last year. I would also hope that we can count on your assistance as we anticipate another crisis.

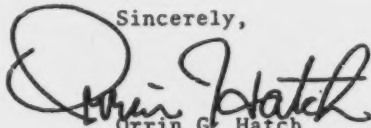
I am specifically concerned that there will be sufficient funds available under the SCS Emergency Watershed Program to meet the needs of my state, as well as other problem areas across the country.

I have alerted Senator Cochran, Chairman of the Agriculture Appropriations Subcommittee that an evaluation of the ASCS and SCS disaster funding capability should be made and he has indicated that any needed adjustments should be made during consideration of the next Agriculture Supplemental Appropriations bill. Senator Cochran has asked for comments on this and other matters by April 30th of this year.

I would appreciate your evaluation of your departments current ability to meet the emergency needs of the state of Utah and other potential disaster areas at the earliest possible date and will be happy to work with you and your staff in any way possible. Sharon Matthews of my staff will be coordinating this matter.

Thank you for your cooperation.

Sincerely,



Orrin G. Hatch
United States Senator

Mr. Everett G. Rank
Administrator
Agricultural Stabilization and
Conservation Service
U.S. Department of Agriculture
South Agriculture Building
Room 3085
Washington, D.C. 20250

April 11, 1984

Dear Mr. Rank:

Last year, the state of Utah experienced the most extensive flooding in its history. Public and private facilities, roads, agricultural lands and residences suffered millions of dollars in damages.

Unfortunately, another year of record precipitation and snowfall have made the recurrence of this disaster a virtual certainty. In anticipation of this impending event, I believe it is impossible to ensure that the necessary emergency assistance programs will be available to Utah ranchers and farmers.

Last year the Department of Agriculture was very helpful and sensitive to the needs of my state. As you know, ASCS allocated 3.8 million dollars for emergency relief last year.

Let me again express my appreciation to you and your staff for your efforts. I would also hope that we can count on your assistance as we anticipate another crisis.

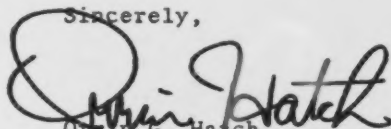
I am specifically concerned that the ASCS ECP funding capability is running low and will not be sufficient to offer meaningful assistance to my state, as well as other problem areas in the country unless funding levels are increased.

I have alerted Senator Cochran, Chairman of the Agriculture Appropriations Subcommittee that an evaluation of the ASCS and SCS disaster funding capability should be made and he has indicated that any needed adjustments should be made during consideration of the next Agriculture Supplemental Appropriations bill. Senator Cochran has asked for comments on this and other matters by April 30th of this year.

I would appreciate your evaluation of the status of the ASCS Disaster programs at the earliest possible date and will be happy to work with you and your staff in any way possible. Sharon Matthews of my staff will be coordinating this matter.

Thank you for your cooperation.

Sincerely,



Orin G. Hatch
United States Senator

LETTER FROM SENATOR HOLLINGS

The Honorable Thad Cochran
U.S. Senator
SR 326
Washington, D.C. 20510

April 30, 1984

Dear Thad:

As Chairman of the Senate Appropriations Subcommittee on Agriculture, Rural Development, and Related Agencies, you recently solicited my comments concerning FY 85 funding levels for programs under your jurisdiction. I have several recommendations regarding funding levels for some of the programs which will be considered by your subcommittee.

Throughout my Senate career I have advocated government research as an effective way to meet many of the concerns of the agriculture community. Because our nation's farmers are increasingly subject to international competition, it is now more crucial than ever that the United States continue its commitment to agricultural research as a means of protecting its competitive edge.

I would recommend that we make every attempt to maintain adequate funding for our agricultural programs in general. More specifically, I am concerned that proper funds be appropriated for the Extension Service (ES), the Cooperative State Research Service (CSRS), the Animal and Plant Health Inspection Service (APHIS), Agricultural Research Service (ARS) and the Soil Conservation Service (SCS). Proper funding of these programs is vital not only to my home state of South Carolina but to the nation as well.

I generally support the Administration's proposed FY 85 budget for the Cooperative State Research Service. In particular, the proposed nominal funding increases of payments under the Hatch Act as well as to 1890 colleges and the Tuskegee Institute are essential if we are to maintain the excellent research standards at the involved institutions. However, the proposed funding levels of the Cooperative Forestry Research and Special Research Grants projects causes me serious concern.

As for Cooperative Forestry Research funding, while I realize the proposed decrease is very small, forestry research is currently in great demand. This is especially true in South and North Carolina, where recent tornado storms have caused tremendous damage to forest populations. South Carolina alone has suffered damage to 35,000 acres of forest land resulting in an economic loss of some \$21 million. Continued research to enable the forestry industry to better respond to the recent natural disasters is essential at this time.

As for Special Research Grants, I strongly oppose the proposed elimination of funding for the Peach Tree Short Life, Soybean Research and Integrated Pest Management projects.

While considerable progress has been made in solving the peach tree short life problem, addition research is essential and offers the only solution for this troubling problem. I have enclosed for your perusal a summary of the research program currently being conducted at Clemson University. As the summary points out, South Carolina has lost over \$44 million to peach tree short life since 1979 and the losses continue. Peach farmers in South Carolina, North Carolina and Georgia cannot afford to have a lapse in peach tree short life research.

With the recent EPA ban on ethylene dibromide, soybean farmers have been especially strapped in their fight against root-knot nematodes. Currently, the next best soil fumigant is twice as costly yet only one half as effective. While I have supported the EPA's decision on ethylene dibromide, I feel that we owe our soybean farmers an obligation to help provide research to develop alternative soil fumigants and more resistant soybean strains. In light of this recent development, elimination of Soybean Research funding, in my opinion, is certainly unjustified.

The CSRS Integrated Pest Management (IPM) program has been highly successful in providing basic research for general pest control and crop management. Continued funding for this IPM program is essential because it generates valuable, across-the-board information on pest and crop matters.

On a similar note, the Administration's proposal to eliminate FY 85 funding for the Extension Service's Integrated Pest Management (IPM) Program, funded under Section 3(d) of Smith-Lever, is equally unwise. Extension Service IPM programs in South Carolina have been highly successful. Projects are now finally established to direct extension services to producers of cotton, tobacco, soybeans, forage crops, peanuts, peaches, apples and tomatoes.

I have enclosed for your information a summary of 1983 and 1984 Extension Service IPM projects in South Carolina. I believe the value of these programs to South Carolina farmers is self-evident.

I am also strongly opposed to proposed budget cuts in various Animal and Plants Health Inspection Service programs. I have previously written to you about the importance to South Carolina of the Boll Weevil and Witchweed Eradication programs. They are extremely effective as well as cost efficient projects which should be funded at their FY 84 levels. Reductions in APHIS funding for the eradication of the golden nematode, gypsy moth, imported fire ant and pink bollworm should be rejected as well.

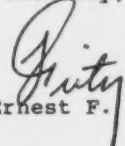
I also oppose the twenty percent funding reduction for the Soil Conservation Service. Husbandry of our land necessarily includes proper soil and water conservation practices and the SCS provides the critical link between conservation scientists and researchers and the farmer. I feel that the enclosed summary of SCS projects in South Carolina will demonstrate the need to continue SCS funding at its FY 84 level. I urge you to reject and so modify the Administration's SCS Budget proposal.

These above-mentioned programs are most important to the State of South Carolina and I would appreciate your careful consideration of my views concerning these matters.

Thank you for your interest in my concerns and please do not hesitate to further contact me if I can be of any assistance in funding deliberations on these programs.

With kindest regards, I am

Sincerely,


Ernest F. Hollings

LETTER FROM SENATOR INOUE

The Honorable Thad Cochran
Chairman
Subcommittee on Agriculture,
Rural Development, and Related
Agencies of the Appropriations
Committee
Washington, D.C.

April 30, 1984

Dear Mr. Chairman:

I am responding to your Subcommittee's kind invitation of April 9th to comment on the President's Fiscal Year 1985 budget request for the U.S. Department of Agriculture.

Overall, I support a strong federal commitment to agriculture and our food and nutrition services. I was pleased to note the recommended increases in such vital areas as research but am concerned about continued efforts to cut important programs in the areas of conservation, small community and rural development, extension services, and food and consumer services. I doubt that agriculture is an appropriate place to find additional budget cuts to help reduce the deficit, and I am concerned that any short-term savings in this area will result in greater long-term costs for our nation.

With regard to specific programs, I would cite the following examples of proposed budget cuts which are difficult to accept:

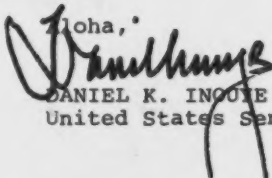
Extension Service: I am opposed to the idea of reducing Smith-Lever Act Payments to States in the following areas: Food and Nutrition (EFNEP), Pest Management, Farm Safety, and Pesticide Impact Assessment programs (NAPIAP).

Cooperative State Research Service: As the author of the National Aquaculture Act of 1980, I cannot support the recommendation to delete \$518,000 for aquaculture research. Similarly, with the transition of Hawaii's agricultural economy from sugar and pineapple plantations to diversified agriculture, I support the \$150,000 budgeted for research into alternate uses of sugar land.

With regard to research, I would propose increasing the special research grants for germplasm resources and tropical/subtropical research by \$300,000 apiece.

Agricultural Stabilization and Conservation Service: I am concerned about the proposed reduction in the Agricultural Conservation Programs budget from \$190,000,000 to \$80,000,000 and the proposal to delete funding for the Emergency Conservation Program. Hawaii is subject to extreme weather and geological conditions, such as hurricanes, as well as earthquakes and volcanic eruptions. Local farmers have relied upon ASCS and ECP programs in the past and will continue to do so in the future.

Thank you for giving my concerns and those of the people of Hawaii your attention.


 DANIEL K. INOUE
 United States Senator

STATEMENT OF SENATOR KASTEN

MR. CHAIRMAN, I THANK YOU FOR THIS OPPORTUNITY TO PRESENT MY VIEWS AND RECOMMENDATIONS PERTAINING TO THE PRESIDENT'S FISCAL YEAR 1985 BUDGET REQUEST FOR AGRICULTURE AND RELATED PROGRAMS.

BEFORE I EXPRESS MY VIEWS ON THIS MATTER, I WOULD SINCERELY LIKE TO THANK YOU, MR. CHAIRMAN, AND YOUR STAFF FOR THE EXCELLENT JOB YOU HAVE DONE FOR THE COMMITTEE THIS YEAR. YOUR TASK HAS NOT BEEN AN EASY ONE, YET YOU HAVE EFFICIENTLY AND EFFECTIVELY GUIDED THIS COMMITTEE THROUGH THE HEARING PROCESS. YOUR EFFORTS ARE MOST APPRECIATED, MR. CHAIRMAN.

WITHOUT FURTHER TAKING YOUR TIME, FOLLOWING ARE RECOMMENDATIONS I HAVE FOR THE FY85 AGRICULTURE APPROPRIATIONS BILL.

DAIRY FORAGE FACILITY

THIS FACILITY IS THE ONLY OF ITS KIND IN THE NATION. IT SERVES COOPERATIVE PROGRAMS OF SEVEN STATE EXPERIMENT STATIONS TERMED CLUSTER LOCATIONS. THESE INCLUDE THE UNIVERSITY OF MISSOURI, IOWA STATE UNIVERSITY, UNIVERSITY OF MINNESOTA, MICHIGAN STATE UNIVERSITY, OHIO AGRICULTURAL RESEARCH AND DEVELOPMENT CENTER, CORNELL UNIVERSITY AND PENNSYLVANIA STATE UNIVERSITY.

THE OBJECTIVE OF THE DAIRY FORAGE FACILITY IS TO REDUCE PRODUCTION COSTS OF CATTLE RANCHERS AND DAIRY PRODUCERS. THIS CAN BE ACCOMPLISHED THROUGH THE DEVELOPMENT

OF NEW TECHNOLOGY TO MORE FULLY UTILIZE FORAGE PRODUCING POTENTIALS IN THE U.S.

AT THE TIME THE DAIRY FORAGE RESEARCH CENTER WAS PROPOSED, AN ANNUAL APPROPRIATION OF \$5.0 MILLION WAS PROJECTED AS NECESSARY TO ADEQUATELY FUND THE FACILITY. IN FY82, FUNDING WAS \$2.1 MILLION. IN FY83, FUNDING WAS \$2.6 MILLION, AND IN FY84, FUNDING WAS KEPT AT THE 1983 LEVEL. LAST YEAR I SUPPORTED THIS LEVEL OF FUNDING BUT ALSO WENT ON RECORD THAT AN INCREASE IN FUNDING FOR FY85 WOULD BE NECESSARY.

PRESENT LEVELS OF FUNDING FOR THE U.S. DAIRY FORAGE RESEARCH CENTER PROVIDE FOR ABOUT 40 PERCENT OF THE PLANNED PROGRAM AT MADISON, WISCONSIN, AND ONLY ONE-THIRD OF THE PLANNED PROGRAMS AT SEVEN OTHER LOCATIONS IN THE MIDWEST AND NORTHEAST. FUNDING INCREASES HAVE BEEN POSTPONED IN THE PAST AND A FURTHER POSTPONEMENT WOULD DELAY THE DEVELOPMENT OF CRITICALLY NEEDED TECHNOLOGY. THE REQUEST FOR AN INCREASE IN FUNDING OF \$1 MILLION WOULD BRING THE CENTER TO ONLY ONE-HALF OF FULL STAFFING.

THERE IS AN URGENT NEED TO FORGE AHEAD WITH RESEARCH PERFORMED AT THE CENTER. INCREASED RESEARCH EFFORTS WILL BRING SIGNIFICANT BENEFITS TO DAIRY FARMERS, PROVIDE ANSWERS TO THEIR QUESTIONS WHICH ARE DIRECTED TO THE CENTER WITH INCREASING FREQUENCY, AND ALSO BENEFIT CONSUMERS OF DAIRY PRODUCTS.

RECOMMENDATION: INCREASE OF \$1 MILLION IN FY85 FOR DAIRY FORAGE RESEARCH CENTER.

JOHNE'S DISEASE

RESEARCH NEEDS OF JOHNE'S DISEASE ARE NOT BEING ADDRESSED ON THE FEDERAL LEVEL. CONTROL PROGRAMS HAVE BEEN GIVEN LOW PRIORITY BY GOVERNMENT REGULATORY OFFICIALS. ALTHOUGH CATTLE OWNERS AND VETERINARIANS IN SOME PARTS OF THE COUNTRY HAVE REPORTED ALARMING NUMBERS OF CASES OF JOHNE'S DISEASE, THE TRUE INCIDENCE IS STILL UNKNOWN.

TESTING FOR HERDS WITH THIS DISEASE, FOR EITHER POSITIVE OR NEGATIVE RESULTS, TAKES UP TO FOUR MONTHS. DURING THIS TIME, IF A HERD IS INFECTED, THE DISEASE CAN BE TRANSMITTED TO THE REST OF THE HERD OR SPREAD TO OTHER HERDS WITHOUT ANYONE'S KNOWLEDGE. DIAGNOSTIC TECHNIQUES FOR JOHNE'S ARE INADEQUATE. EMPHASIS IS DEVELOPING AN EFFECTIVE VACCINE, REDUCED TIME IN DETERMINING INFECTED HERDS, COLLECTION AND SAMPLING OF TISSUE IN DISEASED CARRIERS OF JOHNE'S ANIMALS IS NEEDED.

FEDERAL SUPPORT HAS BEEN MINIMAL UP TO THIS TIME WHICH IS A GRAVE INJUSTICE. I FEAR IT WILL CONTINUE TO BE THIS WAY UNTIL A DISASTER OCCURS, SUCH AS THE AVIAN INFLUENZA OUTBREAK. ONLY THEN, WILL PEOPLE FINALLY WAKE UP AND REALIZE THAT A PROBLEM EXISTS. THE DOLLARS SPENT NOW IN RESEARCHING AN EFFECTIVE VACCINE FOR THIS DISEASE WILL PROVE ECONOMICALLY SOUND FOR CATTLE OWNERS, THE CATTLE INDUSTRY AND CONSUMERS.

LAST YEAR, \$350,000.00 WAS APPROPRIATED FOR RESEARCH ON COMBATTING JOHNE'S. THE GROUNDWORK HAS BEEN LAID, BUT WE ARE STILL FAR FROM REALIZING A CURE. THEREFORE, I RECOMMEND THAT \$1 MILLION BE APPROPRIATED IN FY85 FOR

CONTINUATION IN THE RESEARCH AND DEVELOPMENT OF A CURE
FOR THIS DREAD DISEASE.

RECOMMENDATION: FUND IN FY85 AT \$1 MILLION. (LINE ITEM)

RENEWABLE RESOURCES EXTENSION PROGRAM

PASSAGE OF THE RENEWABLE RESOURCES EXTENSION ACT OF 1978, INCLUDED A \$15 MILLION AUTHORIZATION FOR PROGRAM START UP. WITH THE EXCEPTION OF FY83 AND FY84, WHEREAS THE PROGRAM WAS FUNDED AT \$2 MILLION, FULL FUNDING HAS NEVER BEEN REALIZED.

PAST LEVELS OF FUNDING HAVE RESTRICTED THE NUMBER OF STATES FROM PARTICIPATING IN THIS PROGRAM TO 37. WITH HIGHER LEVELS OF FUNDING, ALL STATES CAN PROVIDE RESOURCE EDUCATION IN FORESTRY AND WILDLIFE MANAGEMENT.

EXTENSION PROJECTS FUNDED BY THIS PROGRAM HAVE INCLUDED DEVELOPMENT OF WOODLAND MANAGEMENT PLANNING CAPABILITY FOR COMPUTER ASSISTANCE, SPECIALIZED PROGRAMS FOR NON-INDUSTRIAL PRIVATE FOREST LAND OWNERSHIP AND DEVELOPMENT OF IMPROVED PRICE INFORMATION FOR OWNERS SELLING WOOD PRODUCTS. IN ADDITION, SUPPORT IS GIVEN TO WILDLIFE MANAGEMENT ON PRIVATE LAND THROUGH DEVELOPMENT OF MAINTENANCE AND ENHANCEMENT PROGRAMS FOR THE APPROPRIATE HABITAT. THROUGH EXTENSION EDUCATION, TRANSMITTAL OF NEW KNOWLEDGE, AS WELL AS STIMULATION OF BETTER HABITAT MANAGEMENT PRACTICES IS REALIZED. EXTENSION EDUCATION IS A PRINCIPAL WAY TO REACH THESE LANDOWNERS.

IN ORDER TO PROVIDE THE OPPORTUNITY FOR MORE STATES TO PARTICIPATE IN THESE PROGRAMS, AND FOR THOSE STATES ALREADY PARTICIPATING TO FURTHER IMPROVE AND BUILD THEIR PROGRAMS, I RECOMMEND AN INCREASE IN FUNDING OF \$5 MILLION FOR THIS PROGRAM IN FY85.

RECOMMENDATION: FUND AT \$7 MILLION IN FY85 FOR RENEWABLE RESOURCES EXTENSION PROGRAMS.

ANIMAL HEALTH FORMULA FUNDING (SEC. 1433)

FOR THE PAST TWO YEARS, THIS PROGRAM HAS BEEN FUNDED AT A LEVEL OF \$5.76 MILLION. THE EMPHASIS OF THIS PROGRAM IS DIRECTED AT RESEARCH AND DETECTION OF DISEASE THAT AFFECTS CATTLE, POULTRY AND SWINE. IN ISOLATING CONTAMINANT ORGANISMS OF ANIMAL DISEASE, TREATMENTS AND CURES CAN BE AFFECTED WHICH WILL LEAD TO DECREASED COSTS AND INCREASED ANIMAL PRODUCTIVITY.

RECOMMENDATION: FUND AT FY84 LEVEL OF \$5.76 MILLION.

SPECIAL MILK PROGRAM

I CONCUR WITH THE ADMINISTRATION'S REQUEST FOR FY 85 FUNDING LEVEL OF \$19.5 MILLION. THIS AMOUNT WILL ENABLE THE PROGRAM TO CONTINUE TO ENSURE NUTRITIONAL ASSISTANCE FOR CHILDREN IN THOSE SCHOOLS WHICH DO NOT PARTICIPATE IN OTHER CHILD NUTRITION PROGRAMS.

HOWEVER, LEGISLATION IS PENDING IN THE SENATE THAT WOULD REINSTATE THE SPECIAL MILK PROGRAM FOR KINDERGARTEN AGE CHILDREN. I SUPPORT THIS LEGISLATION AND SHOULD IT

PASS THE SENATE, I WILL SUPPORT THE NECESSARY INCREASE IN FUNDING TO CARRY OUT THE DICTATES OF THE LEGISLATION.

RECOMMENDATION: SUPPORT ADMINISTRATION'S REQUEST.

GRADUATE FELLOWSHIP GRANTS PROGRAM

LAST YEAR CONGRESS APPROPRIATED \$5 MILLION TO PROVIDE SCHOLARSHIP ASSISTANCE FOR YOUNG MEN AND WOMEN PURSUING GRADUATE AND POST GRADUATE DEGREES IN THE AGRICULTURE AND LIFE SCIENCE DISCIPLINES.

THE USDA OFFICE OF HIGHER EDUCATION PROGRAMS HAS YET TO OBLIGATE THIS MONEY OR PUBLISH THE GUIDELINES IN THE FEDERAL REGISTER FOR IMPLEMENTATION OF THE GRANT PROGRAM. HOWEVER, IT IS MY UNDERSTANDING THAT THE PROGRAM WILL BE SET IN PLACE BEFORE THE END OF THIS FISCAL YEAR.

ALTHOUGH THERE IS SUPPORT FOR AN ADDITIONAL APPROPRIATION FOR THIS PROGRAM IN FY85, I QUESTION THE MERIT OF SUCH A PROPOSAL. AS WE HAVE YET TO COMMENCE WITH THE PROGRAM USING THE MONEY SET ASIDE FOR ITS PURPOSE THIS FISCAL YEAR, I DON'T BELIEVE AN APPROPRIATION IS NEEDED FOR FY85. HOWEVER, I WISH TO GO ON RECORD THAT DEPENDING ON THE OUTCOME OF THIS PROGRAM, SHOULD AN APPROPRIATION BE NEEDED IN FY86, I WILL SUPPORT THE NECESSARY LEVEL OF FUNDING.

PSEUDORABIES PILOT PROJECT

LAST YEAR THIS COMMITTEE APPROVED FUNDING OF \$2.6 MILLION TO UNDERTAKE A PSEUDORABIES ERADICATION PILOT

PROJECT IN THE FIVE STATES OF IOWA, ILLINOIS, PENNSYLVANIA, WISCONSIN AND NORTH CAROLINA. EARLY INDICATIONS BY USDA HAVE SHOWN THAT WE ARE PROFITTING FROM THE MONEY APPROPRIATED FOR THIS PROGRAM.

A RECENTLY COMPLETED NATIONWIDE SURVEY BY USDA MEASURING THE INCIDENCE OF PSEUDORABIES IN SWINE INDICATES A LEVELING OFF OF INFECTION RATES. I BELIEVE THIS CAN BE CREDITED WITH THE COOPERATIVE EFFORT OF THIS COMMITTEE, USDA AND THE NATIONAL PORK PRODUCERS COUNCIL.

ALTHOUGH EFFORTS NEED TO BE CONTINUED IN ERADICATING THIS VIRAL DISEASE, I BELIEVE WE CAN NOTE WITH SATISFACTION THE PROGRESS THAT HAS TAKEN PLACE AND HOPE FOR ITS CONTINUATION.

STATEMENT OF SENATOR LEVIN

Mr. Chairman, I would like to address the portion of the proposed FY 85 agriculture budget which relates to conservation programs within the Department of Agriculture.

Proposed funding cuts in the Soil Conservation conservation operations budget as well as a proposal to target an additional five percent of the national technical assistance funds to target areas would result in the equivalent of 13 fewer full-time staff positions in Michigan. I believe at the very minimum we should keep the FY 84 appropriation level of \$360 million because we cannot hope to achieve good conservation practices without the necessary staff.

The Administration has proposed to eliminate funding for the Resource Conservation and Development program. Michigan has four Resource Conservation and Development areas which assist local communities with agricultural drainage and improved cropping as well as reforestation and management of existing forestland and water quality. These are only a few of the valuable projects the Resource Conservation and Development program provides to our communities in Michigan.

The Congress is always quick to point to state and local governments to find solutions to their problems rather than the federal government. The Resource Conservation and Development program serves that purpose by providing technical staff to assist citizens who are dedicated to projects aimed at improving their community's natural resources. In 1984, Michigan received \$632,000 for technical and financial assistance from the RC&D program. Elimination of this program appears to be very short-sighted. Since erosion, water quality, reforestation and management of our natural resources cannot be ignored, someone will have to pay for it sooner or later. From an economic standpoint, continued support of local initiatives is much wiser than waiting until these problems reach crisis proportions and requiring much greater federal government expenditures to find solutions. I recommend we fund the RC&D program at \$50 million for FY85.

The Administration has proposed to cut the Agricultural Conservation program a total of \$120 million from the FY 84 appropriation level. Last year, Michigan received \$4 million in funding for important conservation programs. If the funding is cut at the level recommended by the President, we stand to lose at least \$2.5 million in Michigan for much needed conservation programs.

The soil erosion in Michigan is very serious. We are losing soil from wind and water erosion everyday. According to an inventory prepared by the Michigan Soil Conservation Service, Michigan lost 35 million tons of soil in 1982 in cultivated cropland. About 1/4 of Michigan is cropland (9.5 million acres). Nearly one-half of the state's cropland needs conservation treatment to reduce soil erosion to tolerable levels and to maintain the soil resource base.

Farmers are just beginning to realize the adverse affects of planting practices on erosion and unless we can provide the expertise of soil conservationists to these farmers, research becomes meaningless. We need to save our natural resources and continue to look for ways to wisely use our existing resources. Soil conservation is a good start. The contribution of soil conservationists to implement new and innovate conservation practices is essential to the future of farming. Cutting the budget for conservation is short-sighted. By adopting these cuts, we are saving a dime now when it is going to cost a dollar later.

STATEMENT OF SENATOR MCCLURE

Thank you for the opportunity to present my recommendations for the FY 85 Agriculture Appropriations bill. I would like to congratulate and thank you, Mr. Chairman, for the time and effort you have put forth throughout the hearings. I would also like to thank your excellent staff for all their help and advice the past few months.

The Committee's task in arriving at funding levels for next year's agriculture programs is not an easy one. Overall budget constraints make it necessary for us to cut corners and tighten belts in a variety of necessary programs. I believe that this can be done without compromising the intent of these programs. It may be that new projects and initiatives will be forced to wait or be funded at a lower level than first thought adequate, yet this may be unavoidable in our efforts to reduce our immense federal deficit.

In our attempts to control spending in the Federal government we must not lose sight of the need for research and facilities which will, in the long run, provide the data base and research knowledge which will enable American agriculture to continue to lead the world in food and fiber production. Let us not be "Penny wise and pound foolish." The outlook for agricultural research and technology during the remainder of this century and the first quarter of the next is outstanding. Science is providing us the basis on which to build new technologies more powerful than any available before.

Following are recommendations I have for the FY 85 Agriculture Appropriations bill:

- *Agricultural Research Service-concur with the Administration request for a net increase in funds for research programs. I am, however, concerned, with the shift in emphasis from applied to basic research. Smaller industries of local importance to Idaho are concerned that small grains researchers and pea and lentil researchers in the Pacific Northwest will not be replaced when they retire due to this shift in emphasis. I strongly urge the Committee to allow activities already initiated to continue and provide adequate levels of funding for applied research in the future.

- * TCK Smut in wheat-Tellitia controversa Kuhn (TCK) commonly called dwarf smut, is a disease of wheat known to occur in small areas of the northwestern U.S.. The research necessary to prevent the spread of dwarf smut is necessary to the agricultural economy of this area. Therefore I recommend that the level of funding be maintained at \$404,000 for FY85. This is the amount the program was funded at last year and the previous year.

- * Potato research- The combined potato production of Idaho, Oregon and Washington equals 46% of the national potato production. Farm gate value was \$750 million in 1981 with processing and related activities raising the total value to the region to \$5 billion. Due to limited availability of new land, yields are beginning to decline. If north-

west potato growers are to continue to meet the needs of domestic and foreign consumers, production efficiency must be improved. Varieties must be developed that are resistant to diseases and insects. The potato industry is committed to providing \$780,000 for the needed facilities, and an additional \$800,000 each year for potato research. I feel that it is important to the Northwest Potato Industry to maintain an ongoing, well-directed breeding program emphasizing improvement of present varieties and the search for new and more efficient varieties. Therefore I recommend an increase in the ARS budget designated to Plant Production Research in the Northwest of \$200,000 for Potato Varietal Development.

* Integrated Pest Management-The productive management of rangeland is essential to Idaho and other western states. Noxious weed invasions have cut down on the use of millions of acres of rangeland in the west. Federal-State cooperative research programs are essential to finding an answer to the noxious weed problem. I recommend that the \$200,000 available in FY84 be continued in FY85 for research on the control of yellow star thistle.

* Pea and Lentil Research-Idaho is the Pea and Lentil capital of the world. Nearly 400,000 acres are grown annually in Washington, Idaho, and Oregon with a value of \$100 million. This represents 98% of the U.S. production. Of this 85% is exported, representing approximately 75 million dollars in export trade. In addition to being an economically important crop to the area, peas and lentils are an important rotation crop which helps cut down on soil erosion. Because of its importance to the area I recommend that research funding be continued at \$100,000 for peas and lentils.

* Vegetable oils as fuel- Recommend ARS provide \$100,000 to be utilized for research being conducted at Moscow, Idaho on the use of vegetable oils as a replacement for diesel fuel.

* Lygus Bug Control Research- The states of Idaho and Washington lost approximately 5 million dollars of export crop value in 1983 due to damage from the lygus bug. Research scientists speculate that crop yields are negatively affected due to the lygus bug but sufficient research has not been completed to have the baseline data to prove this damage. The pea and lentil growers have already funded approximately \$30,000 worth of research to solve this problem. The USDA has recently awarded a \$40,000 grant from ARS to initiate a research program to address this problem. However, in order to solve the problem, it will take approximately \$180,535. This is proposed as a cooperative three-year project under the direction of Dr. Larry O'Keefe at the University of Idaho with research conducted also at Washington State University and the USDA-ARS Insect Laboratory at Yakima, Washington. The industry is providing a total of \$30,000 toward this project. Supporting information for this program is included with this recommendation.

* GERMPLASM FACILITY AT ABERDEEN-Long-term small grain production is dependent upon a continuing supply of new varieties. The development of new varieties is dependent on a diverse germplasm base. The small grain germplasm collection needs new, improved facilities located in an area that minimizes costs and located in the grow-out area. Last year the Committee identified Aberdeen, Idaho as an ideal site for such a facility. The University of Idaho has agreed to build such a facility and lease it to USDA/ARS

for a reasonable price. The costs of moving the accessions and researchers to Aberdeen would be the only costs associated with moving the facility. The annual costs of the lease would be handled on a yearly basis after that. At the present time my staff is working on the language for a line item appropriation for this purpose but due to the lack of cooperation from USDA I do not have the actual figures at this time.

* Bee research- Recommend retaining funding of bee research on chalk brood syndrome at \$100,000.

* Cooperative State Research Service- concur with the increase of \$19.1 million for CSRS. Additional funding is necessary in the field of biotechnology; however I am concerned that some schools with less resources but with the ability to complete the research of importance to local industry will be left out of the grant process in favor of larger institutes. Concur with the increase of formula funds to land-grant universities.

* STEEP-Soil Erosion in the N.W. - Recommend retention of this program at \$622,000 adjusted for inflation.

*TCK smut in wheat-Previously discussed under the same heading in ARS section. Recommend \$361,000 for the continuation of the coordinated and integrated research program between the State Agricultural Experiment Stations in the Northwest and ARS.

*POTATO RESEARCH- With 46% of the total U.S. potato crop produced in the Pacific Northwest it is essential to maintain the viability of the potato industry. Therefore I recommend an appropriation of \$975,000 recurring for personnel and operational costs through CSRS.

* Rangeland research program- Recommend continuing the \$100,000 for rangeland research program as authorized by the Agriculture and Food Act of 1981. This program should be carried out with the objective of improving the productivity of our Nations public and private rangelands.

* Integrated pest management- Recommend maintaining funding at 1984 level of \$3,091,000.

* Alcohol fuels research (Section 1419, PL 95-113)- Recommend maintaining funding at 1984 levels of \$523,800.

APHIS * Noxious weeds- Recommend maintaining levels at 1984 funding levels of \$789,000. The problem of noxious weeds on public and private lands is serious and growing. The state of Idaho estimates that annual production losses alone are \$37 million dollars. The need for an aggressive noxious weed program is gaining attention throughout the western States. In 1981 and 1982 the state legislature in Idaho passed a resolution requesting changes in existing laws to require increased federal efforts to control and manage noxious weeds. Decreasing funding for noxious weed control, at this time will only aggravate the problem. I recommend the APHIS pursue the 4,000 acre trial eradication project for common cuprina.

* Brucellosis eradication- Recommend maintaining the level of funding for this program at current levels.

This eradication program must continue to protect the investment and progress made in efforts to date to eradicate this disease.

° Federal Crop Insurance- Expectations for crop insurance have been high, perhaps unreasonably so. The program has grown extremely quickly and has come under some criticism perhaps well deserved criticism. The questions which I submitted to the Sub-committee brought out some of the problems which FCIC must address before I can lend my full support to their program. My questions centered around management of the FCIC, analysis of the lack of participation by farmers, deficiencies in the actuarial structures and the participation of private companies. Until the questions concerning FCIC are answered my recommendation is to hold funding levels at the 1984 level. The increase FCIC has requested would provide for expansion of the program which has already grown so fast the actuarial tables are out of date.

° Rural Electrification Administration- Recommend that steps be taken to provide for self-sufficiency for the Revolving Fund.

° Food Stamps- Recommend that Food Stamp programs be held to FY 1984 levels with planning on a 12 month basis to eliminate the need for large supplemental appropriations such as have been the case in the last two years.

° The Special Supplemental Food Programs- Recommend that this program be held to the FY84 levels with planning on a 12 month basis to eliminate large supplemental appropriations after 9 months.

AMS

° SRS- Recommend an increase of \$45,000 in appropriated funds to re-establish an annual crop reporting of White Wheat in the Pacific Northwest, specifically Idaho, Oregon, and Washington.

° CSRS-Section 1433, P.L. 95-113 is an important source of funding to support research directed toward solutions to problems which are of concern specifically to Idaho livestock producers. Funds from this source have been used very effectively in addressing immediate problems which have been brought to the attention of researchers by Idaho livestock producers. Recent examples of research carried out with Section 1433 funds which have resulted in significant breakthroughs are:

- ° Seleniun Supplementation
- ° Tricomoniiasis
- ° Ram Epididymitis

I have attached information on each disease and how these funds have helped the livestock industry by addressing these problems. I recommend that funding be maintained at FY84 levels- \$5,529,600 for Section 1433, P.L. 95-113.

ARS - Buildings and Facilities. In 1976 the first regional program in veterinary medical education was established in the Pacific Northwest when the Departments of Veterinary Sciences, at the University of Idaho, Washington State, and Oregon State University entered into the WOI Regional Program in Veterinary Medical Education. Expansion of the veterinary programs greatly expanded the capability and opportunities and resulted in new teaching and research facilities in Moscow and a food animal clinic in Caldwell. To

support the influx of faculty and growth of the program large animal facilities are necessary. Programs require both conventional and isolation facilities. The research encompasses a variety of nutritional problems, as well as infectious and contagious diseases. In addition, the recent relocation of the USDA Hemoparasitic Disease Research Unit from Beltsville, Maryland to the campuses of Washington State University and the University of Idaho provides the nucleus to form a Hemoparasitic Disease Research Unit of both national and international stature. Thus, additional large animal facilities are necessary to support and facilitate several diversified research activities.

Attached is the request for such facilities at Moscow and Caldwell, Idaho. Total funding for the project is \$2 million. I am requesting that the Committee review the proposal with the object of phasing the building over a three year period beginning with a large animal facility at Moscow.

ATTACHMENTS

Selenium Supplementation: Most of the soils of Idaho are deficient or marginal in selenium. This results in the production of forage plants which are also deficient in selenium. For many years livestock producers have had to give newborn calves and lambs injections of selenium in order to keep them alive. Recently, our staff has demonstrated that in addition to the life threatening aspect of selenium deficiency, a good share of our Idaho producers experience reduced productivity from their animals as a result of inadequate selenium. As a follow up to this, we have developed a regimen for supplementing livestock, particularly cattle. In one trial in the Emmett valley we were able to document an increase in 10 months weight of calves of over 100 lbs per calf. There are still some things to be worked out before selenium supplementation can become a routine practice, but this has the potential of increasing the return to Idaho livestock producers by as much as 40 million dollars per year.

Tricomoniasis causes reduced conception rates, early abortion or fetal resorption in cattle. Recently, we have been able to demonstrate that this disease is wide spread in Idaho livestock. We have developed a program for detecting carrier bulls (which spread the infection) and either eliminating them from the herd or treating them according to the owners preference. As a result of this activity we have been able to increase calving rates in effected herds by as much as 25% in a single year.

Ram Epididymitis; this is a disease of rams which renders them sterile. Our Caldwell faculty members have demonstrated that by identifying and removing sterile rams from breeding flocks we can increase the lambing rate, shorten the lambing season and reduce the number of rams required. One well known sheep owner, who has benefited from this practice, is Dennis Burks of FlatTop Sheep Company, another is Lewis Cennarusa, brother of the Secretary of State Pete Cennarusa.

Animal Facility Request - WOI Regional Program in Veterinary Medicine

In 1974, the first regional program in veterinary medical education was established in the Pacific Northwest when the Department of Veterinary Science, at the University of Idaho, and the College of Veterinary Medicine, Washington State University, developed a shared curriculum leading to the D.V.M. degree between the two universities. The program was expanded a few years later when Oregon State University entered the agreement to form the present WOI Regional Program in Veterinary Medical Education. The combination of these university programs greatly expanded the capability and opportunities

at the University of Idaho in terms of faculty, equipment and facilities. Expansion of the veterinary program in Idaho resulted in new teaching and research facilities in Moscow and a food animal clinic in Caldwell. Thus, relatively new and adequate facilities are available for teaching, research and to conduct a reasonable graduate program on the University of Idaho campus. Nevertheless, large animal facilities to support the influx of faculty and growth of the program are inadequate and additional animal facilities are necessary to accommodate current programs. These programs require both conventional and isolation facilities. The research encompasses a variety of nutritional problems, as well as infectious and contagious diseases. In addition, the recent relocation of the USDA Hemoparasitic Disease Research Unit from Beltsville, Maryland to the campuses of Washington State University and the University of Idaho provides the nucleus to form a formidable Hemoparasitic Disease Research Unit of both national and international stature. Thus, additional large animal facilities are necessary to support and facilitate several diversified research activities.

Large Animal Research Facility, Moscow

Two facilities are requested for the Moscow campus. The first facility would be a conventional large animal facility to house research animals for investigation of nutritional problems, and diseases of negligible transmission from animal to animal. Faculty are currently investigating conditions such as selenium deficiency, shipping fever complex, cold stress, responses to toxic substances, and a variety of enteric and reproductive conditions which require housing animals in individual stalls/pens.

In addition, there is a desire of many faculty to form a multi-disciplinary research unit to address hemoparasitic disease problems which are prevalent throughout the world. Facilities would be necessary to accommodate these activities. Optimum scientific conditions would dictate that animals be housed in small individual pens within a large conventional facility. Acceptable experimental design generally involves a control and two or three treatment groups, thus considerable space is utilized for each experiment. Current facilities are unavailable to conduct many of these experiments.

Estimated cost of the facility is \$500,000.

Large Animal Isolation Unit - Moscow & Caldwell

Facilities are unavailable on both the Moscow and Caldwell campuses to conduct research on highly contagious diseases. For example, brucellosis is a disease which has plagued the beef industry for years and the magnitude of economic loss is staggering. A Veterinary faculty member at the University of Idaho developed a vaccine in laboratory animals which appeared to be promising for the prevention of brucellosis in livestock. However, attempts to test the vaccine in cattle, challenged with live organisms resulted in spread of the organism from animal to animal and the data was of little value. Furthermore, these experiments should be carried out in isolation facilities to protect other animals in the immediate proximity from exposure to this highly contagious organism.

Another example was the vesicular stomatitis outbreak in Southern Idaho during 1982 and 1983. Veterinary Medicine was handicapped and unable to immediately address the problem due to lack of adequate isolation facilities to contain a restricted disease to specific premises. Because of this, it was impossible to undertake some relatively simple, but very important

studies related to vaccine development which had been urgently requested and seriously needed by our livestock industries.

Finally, hemoparasitic diseases are a major problem of both animals and man, particularly in the tropics and arid climates. The combination of USDA scientists with basic scientists, at both the University of Idaho and Washington State University, provides a tremendous opportunity and an accumulation of resources to develop a highly productive and efficient international hemoparasitic disease research unit. The multi-disciplinary approach inclusive of state-of-the-art technology, such as genetic engineering and monoclonal antibodies, would bring together expertise from many areas to help resolve the devastating disease conditions in both animals and man. Since many of these diseases are transmitted by insects and arthropods, isolation facilities are necessary to prevent contamination of adjacent facilities and spread of disease to the surrounding area.

In essence, the personnel, equipment, and laboratory facilities are available to develop the unit, but large animal isolation facilities are absent. Construction of these facilities would be the compelling force to form an eminent international hemoparasitic disease program within the WOI Regional Program of Veterinary Medicine.

The cost of each one of these facilities would be approximately \$750,000 each.

PROJECT: Chalky Spot - Lygus Bug Research in Lentils

DURATION: July 1, 1984 through June 30, 1984

OBJECTIVE: Develop an economically and environmentally sound management plan for lygus bugs and "chalky spot" in lentils centered on individual field need and determined by assessment of field conditions. Control action guidelines would be coupled with effective, practical control techniques and based on understanding relevant biological and physical relationships in lentils.

RESEARCH APPROACH AND PROCEDURES:

- (1) Determine best physical and chemical (pheromone) insect sampling methods for estimation of lygus bug populations in lentil production areas and within fields. Compare absolute, suction and sweep-net sampling methods to pheromone trapping for relative effectiveness.
- (2) Identify within field composition of lygus bug species and their life stages during lentil and pea fruiting periods; associate insect incidence with chalky spot severity; assess distribution and abundance of pest lygus bugs over time and space within selected field sites and among production areas; and examine natural enemies and alternate weed hosts as factors in population dynamics of lygus bug pests.
- (3) Measure in the laboratory and field, number, growth, stage and sex of lygus bugs relative to susceptible lentil fruiting stages and resulting incidence of chalky spot. Evaluate relative susceptibility of fruiting stages (flowering, pod set, pod filling).

Budget Request

University of Idaho

	1st Year	2nd Year	3rd Year
<u>Salaries</u>			
Research Associate - .75 SY (establish and maintain plots, collect and analyze data) population studies, sampling, etc.)	\$14,000	\$14,700	\$15,435
<u>Irregular Help</u>	5,000	5,000	5,000
<u>Travel</u> (regional plot evaluations, meetings to report results)	4,000	4,000	4,000
<u>Operating Expense</u> (treatments and application, computer time, publication costs)	5,000	6,000	7,000
<u>Fringe Benefits</u>			
23% of salaries, 8% of irregular help	3,600	3,800	4,000
Total UI Budget Request	\$31,600	\$33,500	<u>\$35,435</u> \$100,535

Washington State University

<u>Salaries</u>			
Research Assistant (Population studies, develop appraisal-decision computer models, etc.)	\$ 4,465	\$ 8,929	\$ 8,929
<u>Fringe Benefits</u>			
12% of salaries	535	1,071	1,071
Total WSU Budget Request	\$ 5,000	\$10,000	<u>\$10,000</u> \$25,000

USDA, ARS-Yakima

Irregular Help (laboratory and field study of insect-plant relationships)	\$ 3,000	\$ 3,000	\$ 3,000
Travel	3,000	2,000	2,000
Operating Expense	3,760	2,760	1,760
<u>Fringe Benefits</u>			
8% of irregular help	240	240	240
Total USDA Request	\$10,000	\$ 8,000	<u>\$ 7,000</u> \$ 25,000
TOTAL REQUEST (UI, WSU and USDA)			\$150,535
USDA,ARS Overhead			\$ 30,000
Request Total			\$180,535

LETTER FROM SENATOR PRESSLER

The Honorable Thad Cochran
Chairman
Subcommittee on Agriculture, Rural
Development and Related Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

April 26, 1984

Dear Mr. Chairman:

Thank you for allowing me to make comments and recommendations on the Fiscal Year 1985 Agriculture, Rural Development and Related Agencies budget. Coming from an agricultural state, I have a special interest in adequate funding of agricultural programs.

Concerning the Agricultural Research and Extension Program, the Administration has proposed an increase in funding of some research programs. It is essential that we maintain a strong agricultural research program if we are to continue to be a leader in farm production. It is essential that the concerns of farmers and farm groups are addressed in this research. A close working relationship is needed between farmers and USDA to assure that these research dollars are spent in the most effective manner. Land grant colleges provide an excellent example of cooperation among USDA, the colleges and farmers in meeting agricultural research needs. For this cooperation to work, a strong extension service is essential.

To be effective, agricultural research must be distributed to both farmers and consumers, and the extension service is the best vehicle for research distribution. An excellent example is the 4-H program which teaches young people about agriculture, citizenship, and many other subjects. 4-H volunteers contribute over \$12 for every \$1 of federal funds. Therefore, I urge the Committee to provide adequate funding to assure the continuation of a strong Agricultural Research and Extension Program.

In the area of agricultural exports it is critical that a strong export promotion program be continued. If market prices for farm products are to be substantially increased, we must increase our exports of agricultural products. It is unclear whether the Administration's requests for the PL-480 and export credit programs are high enough to effectively expand our agricultural exports. There is a tremendous need for food around the world and we should try to fulfill that need. Some adjustments have been made in the funding levels for these two programs since the request was made, but the increases may not be large enough to meet export financing requirements.

If the American farmer is to continue to produce record crops, our soil must be conserved. In recent years, topsoil has been eroding at unacceptable rates. The reduction of soil erosion should be a high priority. The problem cannot be solved by just spending money. An effective soil conservation and cost-sharing program is essential if farmers are to implement good conservation methods. The Administration has proposed reductions in several of the soil and water conservation programs, but we must question these reductions in view of the continuing threat to our precious soil.

Another natural resource that must be protected is our national forests. A primary concern in the forestry area is the State and Private Forestry Program (SPFP). The programs encompassed by SPFP

provide essential fire protection and other benefits to valuable timber and various other resources in rural areas.

As you are well aware, farmers are facing very difficult financial circumstances. High interest rates and low commodity prices have taken a heavy toll on the American farmer. If thousands of family farms are to survive, they must have access to adequate and affordable credit. FmHA programs must receive sufficient funding and also be administered to meet farmers' needs. We must make sure that credit assistance goes to the people who really need and deserve these FmHA loans. This is also true of the REA program. In my home state, many areas would not have electric service without the REA program. It is important that these loans go to cooperatives which really need the assistance.

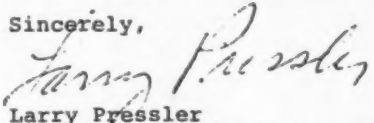
In conclusion, I urge your Committee to consider the following points when funding for USDA programs is discussed:

1. Are our natural resources--topsoil, water, timber, crops and grassland--adequately protected?
2. Are the programs directed at farmers and their needs in regard to research, credit and other assistance?
3. Will these programs help increase farm prices and meet nutritional requirements of the needy both at home and abroad?

For the record, I am providing a short list of specific agricultural programs of special interest to South Dakota, and I ask the Committee to favorably consider them.

Thanks again for giving me an opportunity to express my concerns about the USDA budget request to your Committee. I look forward to a continuing close working relationship with you and other Committee members on agricultural legislation.

Sincerely,


Larry Pressler
United States Senator

AGRICULTURAL PROGRAMS OF SPECIFIC CONCERN TO SOUTH DAKOTA

1. The Northern Grain Insects Research Laboratory at Brookings, South Dakota
2. The North Central Soil Conservation Research Laboratory at Morris, Minnesota
3. The Entomophaga grylli grasshopper project in which South Dakota State University is involved
4. The Laramie Bee Disease and Pesticide Lab in Laramie, Wyoming
5. The Great Plains Conservation Program

6. The State and Private Forestry Program--specifically, the Rural Fire Prevention and Control, and Rural Community Fire Protection programs
7. The Sunflower Insect Research Program
8. Pseudorabies research, which is important to hog producers

LETTER FROM SENATOR PRYOR

The Honorable Thad Cochran
United States Senate
Washington, D.C. 20510

April 30, 1984

Dear Thad:

Thanks for your letter of April 9. I appreciate your giving me the opportunity to inform you of a very worthwhile item which I strongly believe should be included in the Fiscal Year 1985 Appropriations Bill for Agriculture, Rural Development and Related Agencies.

Specifically, I ask that the Subcommittee consider including \$14,866,813 in funding for construction and renovation at the National Center for Toxicological Research (NCTR) near Pine Bluff, Arkansas. In 1975, Congress directed NCTR to develop a master plan to coordinate research requirements with facility needs. The funding now requested is for projects specifically detailed in the master plan.

NCTR conducts experiments with toxic and potentially toxic substances that occur in our environment and searches for methods to reduce or eliminate the adverse effects. As you may remember, the President's Private Sector Survey on Cost Control recommended that NCTR become more of a national center. The report also stated that the management systems put into operation by NCTR were the most effective of all agencies studied. I believe this demonstrates the effectiveness of NCTR, and is a clear sign that federal support of NCTR is a wise investment of limited federal resources.

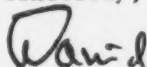
As you may remember in the FY 84 appropriations bill, the House and Senate agreed to include \$500,000 for an inhalation lab at NCTR and \$1,925,000 for a diet preparation facility. At the time these two projects were approved, both Appropriations Committees stated in their committee reports, "The Committee notes that architectural and engineering design studies are in progress for a general toxicology laboratory to upgrade, replace, and consolidate existing laboratory space. The Committee expects to review and consider funding for the construction of this facility when design studies have been completed."

The funds I request today would be applied to the renovation of an existing facility to provide laboratory and animal facilities for the consolidation of research; replacement of temporary, substandard facilities; elimination of overcrowding; and provision of laboratory space for researchers currently without laboratory space.

Renovation of the facility will allow investigators to have their animal rooms next to their labs and offices; allow research of related disciplines to be combined rather than being located in different buildings; and relocate some of the investigators into new, modern facilities from areas such as trailers and temporary laboratories.

Thank you very much for your kind consideration of this request. I will be glad to provide any further information that would be helpful or respond to any questions about this request.

Sincerely,



David Pryor

LETTER FROM SENATOR RIEGLE

The Honorable Thad Cochran
Chairman
Subcommittee on Agriculture,
Rural Development and Related Agencies
Committee on Appropriations
Washington, DC 20510

2 May 1984

Dear Thad:

Thank you for your letter of April 9th requesting my views on the 1985 Agriculture Appropriations measure. I appreciate this opportunity to convey my thoughts on this important matter.

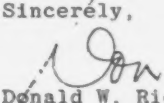
There are a number of special grants that are important to me and to various commodity producers in Michigan. In past years, you have been most helpful in obtaining funds for the Blueberry Shoestring Virus research program. This project is in its fifth year, and results have been most promising. Once again, I am hopeful that \$96,000 could be allocated for this effort. Another program of importance is the Asparagus Yield decline study, which was funded last year, and which needs an appropriation of \$100,000 to continue studies in 1985. In addition, the Bean and Beet research, Dairy photoperiod, and Food and Agriculture policy studies require funding in the 1985 bill in the amounts suggested by the House subcommittee.

Another research project of importance concerns Stone Fruit Decline investigations. As you may know, Michigan is the largest tart cherry producer in the nation, and ranks sixth in peach production. These crops have suffered a decline in recent years, not only in Michigan, but in other areas, as well. I hope that it will be possible to concur that funding for this program is worthwhile.

The third item that I am concerned about is funding for the Hatch Act and Smith-Lever programs. Both of these have not been adjusted for inflation, and an additional \$3 million in each area would enable these programs to meet inflation related costs.

I realize that we are facing a difficult year, but do hope that you will be able to incorporate these programs in your final document. They benefit not only the producers in Michigan, but agriculture throughout the country. Thank you for your attention and consideration in this matter, and I will be happy to provide you with any additional information that you may require.

Sincerely,


Donald W. Riegle, Jr.

LETTER FROM SENATOR SARBANES

Honorable Thad Cochran, Chairman
Appropriations Subcommittee on Agriculture,
Rural Development and Related Agencies
SD-140 Dirksen Senate Office Building
Washington, DC 20510

May 2, 1984

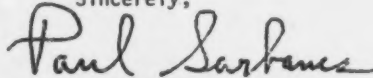
Dear Mr. Chairman:

Thank you for contacting me to request my recommendations for funding levels and other matters to be covered by upcoming agriculture legislation. I appreciate being offered the opportunity to provide input, especially as the Subcommittee is considering the President's Fiscal Year 1985 budget request. As you know, I have contacted you twice in recent months on agriculturally related matters, specifically emergency indemnity funding at fair market value for farmers sustaining Avian Influenza losses; and funding for research on Avian Influenza and the development of vaccines to combat it. I would like to restate my support for sufficient funding in these important areas, and request that these matters receive your consideration.

In addition, I hear from increasing numbers of constituents who are unable to obtain assistance from the Farmers Home Administration. In my view, current funding is not adequate and I strongly urge that sufficient resources be made available to FmHA so that appropriate financial help is available to farmers and rural communities.

With best regards,

Sincerely,



Paul S. Sarbanes
United States Senator

LETTER FROM SENATOR TOWER

The Honorable Thad Cochran
United States Senate
Washington, D.C. 20510

April 23, 1984

Dear Thad:

Thank you for your letter of April 9, 1984 explaining the procedures that the Subcommittee will follow this year in considering the President's Fiscal Year 1985 budget request. I also am grateful for your invitation for my suggestions regarding proposed funding levels for the Agriculture Appropriations bill for 1985.

I would like to bring to your attention a funding request that has my wholehearted support and, in my view, is a wise use of scarce dollars. The Baylor College of Medicine has requested \$4.4 million for existing programs, \$1.5 million for a pregnancy program that unquestionably fits the Center's research mission and would complement its existing programs, and finally \$49 million for the construction of a permanent facility. It is my belief that these requests are reasonable, and fit solidly into this Administration's goals for the U.S. Department of Agriculture Agricultural Research Service. I have enclosed additional information that you might find helpful in considering these funding levels.

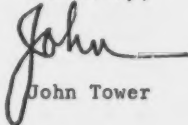
In particular, the need for the \$49 million for the construction of a permanent facility is especially important for this year's appropriations request. Using \$5.5 million that was recommended by the Subcommittee last year and approved by Congress, the architectural and engineering design phase is already underway and will allow a construction contract to be awarded as early as December, 1984 if appropriated funds are approved by Congress. So far, the quality of research at the Children's Nutrition Research Center is undisputedly of a first class nature. However, the rented facilities are beginning to become a significant factor in restricting further research breakthroughs at the same impressive pace that we have seen in the past.

It is my view that the Nutrition Center has handled their construction request in a most professional and responsible manner, already trimming the original construction cost estimates by one-third. Their research mission uniquely provides benefits for virtually all segments of our nation's people through improving our knowledge of the nutritional needs of pregnant women, infants and children.

In short, I am most supportive of their request and deeply hope that it can be included as part of the Subcommittee's appropriations proposals for Fiscal Year 1985. I plan to speak with you further regarding this request, yet, in the meantime, I hope you will not hesitate to contact me if you need any additional information.

Thank you again for your earlier letter and for your consideration of my request.

Sincerely,


John Tower

BAYLOR COLLEGE OF MEDICINE CHILDREN'S NUTRITION RESEARCH CENTER

FACT SHEET 1984

BACKGROUND AND MISSION

The Children's Nutrition Research Center in Houston, one of five Human Nutrition Centers of the United States Department of Agriculture, is the nation's only facility dedicated to scientific study of the nutrition of pregnant and lactating women, infants and children.

The Center incorporates 20 years of experience in nutrition research by Baylor College of Medicine's Department of Pediatrics and Texas Children's Hospital.

Continued funding will sustain research to establish a scientific basis for national standards to:

1. Determine how the diet of a pregnant woman affects the health of the child she delivers.
2. Determine how nutrition of the mother affects lactation and the nutrient content of her milk.
3. Determine the relationship between nutrition and the physical and mental development of infants and children.
4. Define the nutritional needs for healthy growth and development through adolescence.

CURRENT ACTIVITIES

Since its founding in November, 1978, the Center has developed five areas of research that have been approved by both the Council of Scientific Advisors (composed of nutrition scientists) and the Executive Committee (composed of government and institutional advisors). The research is being conducted in three programs.

Lactation Program

Studies in this program concentrate on dietary needs of lactating women and on the special properties of human milk on growth and development of the infant. Researchers have studied the nutrient composition, physical properties, and immunological factors of human milk. Studies have also been conducted to identify the effect of the mother's diet on the health of the fetus during pregnancy and on the ability to produce milk after giving birth.

Studies on the relationships between nursing women and their infants have resulted in an educational program for health care workers. As part of the USDA's Women, Infants, and Children (WIC) program, health care workers assist new mothers who breast-feed their infants.

Weaning Program

This program is providing answers to the problems that occur when foods other than breast milk are added to the infant's diet.

The weaning period, when cereals and baby foods are introduced to an infant's diet, is a high-risk period in nutrition. Recommendations for the time to introduce cereals and baby foods are being developed.

Investigations continue on the effects of acute and chronic forms of diarrhea on infants during weaning. A study of malnourished infants seeks to determine why they often suffer from chronic diarrhea associated with severe food intolerance is helping define the causes of dietary allergies often diagnosed in infants who are not breast-fed.

Stable Isotope Program

This program has developed new techniques for research in lactation, weaning, energy, and body composition.

Stable isotopes are naturally occurring markers that can be incorporated into food components to "label" specific nutrients. The labeled nutrients are traced through the biological processes in the body to determine utilization.

Studies using stable isotopes measure specific daily dietary requirements for pregnant and lactating women, and children.

PROPOSED DEVELOPMENT

The Children's Nutrition Research Center, now in its sixth year, is operating on a budget of \$3.2 million. Funding has been relatively steady, with adjustment for inflation, during the last five fiscal years. During this time, major programs on nutritional needs of lactating women and infants have started and scientists of the highest quality have been recruited. Funds are now required to provide these scientists technical support personnel for their research. An increase of \$1.2 million is necessary to meet the needs of existing programs.

One additional program will be required to fulfill the Center's mission as defined by the Council of Scientific Advisors. Funds for a Pregnancy Program are being requested again for the fifth year. The addition of this unit, at a cost of \$1.5 million, to study nutritional needs of pregnant women will complete the Center's commitment to maternal and infant nutrition research.

In 1983, Congress appropriated \$5.5 million for the architectural and engineering design phase for construction of a permanent building to house the Children's Nutrition Research Center. Operations are now based in rented facilities that restrict programs. Also, the lease for the rented space expires in 1988 and the possibility of renewal is doubtful.

Architectural planning is now well along and the present schedule will allow a construction contract to be awarded in the first quarter or early in the second quarter of the 1985 Fiscal Year (December, 1984, or January, 1985). A prime tract of land in the Texas Medical Center is being provided at no cost (\$1 a year) on a 100-year lease arrangement to the U.S. Department of Agriculture as the site for the Center.

Careful planning reviews, innovative construction scheduling and commitment of shared services contributed to the Center by Baylor College of Medicine and Texas Children's Hospital have reduced original construction cost estimates by approximately one-third, to \$49,000,000. That figure, which includes major fixed equipment costs, is being requested in Fiscal 1985.

1984 BUDGET REQUESTS

Operating:

Existing Programs	\$4,400,000	
Establish Pregnancy Program	\$1,500,000	
TOTAL		\$ 5,900,000

Construction:

Permanent Facility Construction	\$49,000,000
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COOPERATING INSTITUTIONS

Baylor College of Medicine is one of the leading academic health science centers in the nation and provides a climate of excellence for basic and clinical research.

Texas Children's Hospital is a Baylor teaching hospital with a distinguished record of service and education.

LETTER FROM SENATOR TOWER

The Honorable Thad Cochran
United States Senate
Washington, D.C. 20510

April 24, 1984

Dear Thad:

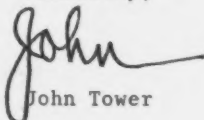
In response to your letter of April 9, 1984, seeking my suggestions regarding proposed funding levels for the Agricultural Appropriations Bill for 1985, I wanted to express my support for increased funding for the Integrated Pest Management Program.

In my state, the Texas Agricultural Extension Service IPM Program is designed to provide technical assistance, at the county level, to producers of cotton, grain sorghum, corn, citrus, pecans, peanuts, soybeans, rice, wheat and sunflowers in the management of weeds, diseases, insects and nematodes. Producers are also assisted with the efficient use of fertilizer, water and other agricultural inputs. This program has provided major advances in the control of insect pests such as the boll weevil. In addition, the Texas IPM Program has greatly reduced the use of insecticides while at the same time developed methods that have significantly increased yields throughout Texas. I have enclosed some additional testimony from the Texas Pest Management Association to provide further information concerning the success of this program in my state.

It is my understanding that current budget proposals discontinue funding for earmarked Extension IPM Programs under Smith-Lever Section 3(d). It is my view that without this funding, the highly successful program will lose much of its effectiveness and the significant progress that we have seen throughout the years of this Program will be substantially curtailed.

In that regard, I am hopeful that the Subcommittee will find it beneficial to restore this budget item by restoring at least \$7.531 for this purpose. Thank you for your consideration of this request and I hope you will not hesitate to contact me if you need any additional information regarding this request.

Sincerely,


John Tower

TEXAS PEST MANAGEMENT ASSOCIATION

Texas Pest Management Association is a non-profit Producer Association that includes twenty producer directed Integrated Pest Management units in Texas. After the inception of four pilot Cotton Integrated Pest Management (IPM) programs in the early 70's, producers expressed a continually growing interest for the establishment of pest management programs in strategic crop areas across the state. The IPM units vary in operating style. Traditional "intensive scouting" program where producers employ scouts through the association to scout each field on a weekly or biweekly basis. Alternatively a "survey" style of program where of scouts spot check a broad area is also operating in West Texas. The survey styled programs are more oriented to boll weevil insect management, but are also appropriate for monitoring areas sporadically infested with bollworms. The average intensive IPM unit is approximately 8000 acres and the average survey pest management unit is approximately 75,000 acres.

Generally, the TPMA statewide program has included, in normal years, 575,000 acres of cropland in the TPMA program.

The comprehension Extension IPM program impacts other acres and producers in addition to the IPM units. Often the information generated by our producer funded scouting is used, in a generalized manner, for the Integrated Pest Management newsletters produced on a weekly basis by the Extension Agents. An example of one of the weekly newsletters has been included for your review.

In Texas there is a highly coordinated effort in the implementation of the IPM concept between the Texas A & M University System, all eight of the Cotton Commodity Organizations, Texas Corn Growers Association, Texas Peanut Producers Association, and Grain Sorghum Producers Association. A synergetic cooperative effort exists between, 1. producers organized under TPMA, 2. the Texas A & M University System including the Texas Agricultural Experiment Station and Texas Agricultural Extension Service, and 3. the Texas Department of Agriculture.

The Texas Agricultural Experiment Station is providing valuable output by developing various pest management techniques and crop varieties that can be employed in the Integrated Pest Management system. The Texas A & M Extension Service demonstration programs help acquaint producers on a local basis with the components of a successful IPM concept. The Extension Agents for Pest Management provide technical assistance and interpretation of scouting reports that are developed through the producer scouting program. The Texas Department of Agriculture has been instrumental in the success of the IPM effort with the assistance funds to conduct specialized surveys and studies to identify and manage areawide pest problems.

The fact that we, today, have twenty operating pest management units is evidence of the success and acceptance of this program by the producers in the state. The newsletters developed by the Extension Agents-Pest Management in each one of these pest management unit areas reaches over 8400 producers. The acreage in the counties that are covered by the newsletters is approximately 10,125,000. My point is that the IPM information is reaching a substantial number of producers across the state, and whether the producers are direct participants in an organized IPM unit or only receiving IPM management information through newsletters, electronic media, community "turnrow" meetings there is a very strong uptake of the information provided by the program.

The key to a successful IPM program is availability of a qualified specialist to assist the producers in interpretation of the field crop situations. The producer often relies on this technical expertise to monitor pest/beneficial insect relationship in the ecosystem of the crop until no other alternative is left except a pesticide application. Having this information allows the farmer to preserve beneficial insects at the maximum level possible even with pesticide applications. When an application must be made biological materials are used whenever possible to retain beneficial species. Pesticide use efficiency is greater when applications are correctly timed based on the life cycle of the insect.

Economic thresholds change throughout the season depending on commodity prices. The economic thresholds cannot be established in a research facility and be applicable for all areas of the

state, nor applicable over a period of years. The onsite technical assistance is a critical element in the success of any Integrated Pest Management effort. IPM is a management strategy that requires continuing adjustment with local technical expertise for success.

At this time availability of sufficiently qualified technical expertise is limited at best, the "INTEGRATED PEST MANAGEMENT-A Program Of Research For The State Agricultural Experiment Stations And The Colleges of 1890" study as referenced in the attached letter from Dr. Fowden Maxwell, head of Entomology for Texas A & M University sites the continuing deficit of trained manpower within the next few years.

The technical assistance provided by the federal funds through the Cooperative Extension Service and Agricultural Research Service benefit producers on a communitywide and areawide basis. With the availability of funds that are provided under section 3d of the Smith/Lever ACT, producers will have access to the number of technically qualified personnel necessary to sustain a continuing IPM concept. I suggest to you that without the continuing presence of federal funds in the IPM program we would soon return to the costly and environmentally unacceptable practices of the 1960's where pesticides were used as a prophylactic for pest damage and crop loss, instead of a control measure of last resort. The administration has failed to recognize the importance of IPM funding in its last three budgets, OR expects that Congress will reinstate it. Perhaps it is time to get the message across that IPM is important to the public and that it should be included in budgets at the outset instead of letting legislators be the ones to reinstate the funding each year. An increase in the cotton portion is badly needed and as action is taken to reinstate the funds it should be at an increased level.

The cultural methods and pest resistant crop varieties provided by research programs have equipped the producer with a multiple of pest management techniques that can be used together to produce a more profitable crop in harmony with the environment and not in competition with the environment. Without continuing technical expertise the impact of these cultural practices and resistant varieties cannot be fully realized during the growing season. Producers unfortunately, I suspect, would return to the preventive applications of pesticides with insect resistance again developing to the point that producers "go broke" trying to control the pests.

With IPM, crop production elements are brought together to operate in harmony to produce a profitable crop. For example irrigation can be scheduled to avoid the encouragement of pest problems and still provide the advantages of irrigation to the crop. Other cultural practices such as stalk destruction and delayed uniformed planting help eliminate an early host for the pest to increase to a damaging population level before the crop has completed its production cycle. The savings to producers by using the Uniform Delayed Planting Date is estimated at over \$21.00 per acre according to a study done in November, 1983.

Crop pests include more than insects. Many management strategies have been developed for weeds, diseases, and nematodes and provide a positive return on investment for producers. Soil fertility has a very significant influence on the occurrence of pest problems. Management of fertility levels under IPM can provide for optimum return for fertilizer dollars and also can help avoid lush crops from excess nitrogen that in turn encourage pest damage during the growing season.

Just as crops are highly variable throughout the United States pest problems are also highly variable and require continuing management input. The technical expertise must be available to producers on a localized basis in order for the IPM strategy to be economically beneficial. Within Texas approximately one half of the local Extension Agent - Pest Management positions are supported by federal funds.

Records indicate that farmers who participate in the IPM programs not only apply pesticides to their crop fewer times, but also have a lower cost in pest control. At the same time some of the producers are experiencing increased per acre yields. If we continue the intensive levels of production prevailing today throughout the United States, chemical control agents will be a necessary component of crop production. IPM seeks to maximize the use of natural control factors and encourage the judicious use of chemical pesticides.

Producers throughout Texas have not been passive about their IPM program by relying only on federal dollars for expansion. Federal funding has remained relatively level during the last several years. Producers desiring additional technical assistance within our state have worked together to acquire additional IPM staff positions with appropriations through our state legislature. There is, however, a limit to the number of positions that can be acquired with state funds if federal funds are not continued. The mix of producer, federal, and state dollars to operate this program is perhaps the optimum to sustain a continuing responsive IPM program that is of benefit to producers. Cotton, grain sorghum, wheat, peanuts, citrus, corn, soybeans, and pima cotton are afforded effective IPM strategies. The Cooperative Extension Service remains the critical source of the technical expertise that keeps the IPM strategy successful.

We appreciate your interest in producer's use of the IPM program. Integrated Pest Management is an important component of the U.S. Agricultural program. We encourage you to at least continue support of the \$7.531 million under section 3d of the Cooperative Extension Service funding. We further seek your agreement on an increase in IPM funding in spite the pressure for overall federal budget reduction. We know the overall budget needs reducing but in some areas increases are very necessary. We believe with the increase in IPM funding the country will receive benefit through more economical food & fiber production.

LETTER FROM SENATOR MATTINGLY, ET AL.

The Honorable Thad Cochran
Chairman
Subcommittee on Agriculture and Related Agencies
Senate Appropriations Committee
140 Dirksen Senate Office Building
Washington, D.C. 20510

February 16, 1984

Dear Thad:

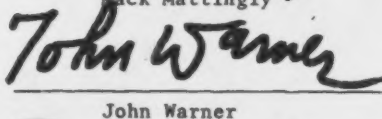
We are writing to request that a very small amount of funding and/or specific report language be included in upcoming appropriations measures to provide for reinstatement of a crucial Department of Agriculture marketing report known as Peanut Stocks and Processing. For years, this report served as a valuable tool in the orderly marketing of the U.S. peanut crop. It helped individual growers determine how many acres of nuts to plant and which varieties were in demand in domestic and foreign markets. It helped the farmer determine what price he should accept on his forward contracts. Additionally, brokers and manufacturers were able to track available volume, supply and usage of peanut inventory and thus could offer the grower a fair price for his crop and better adjust their marketing strategy.

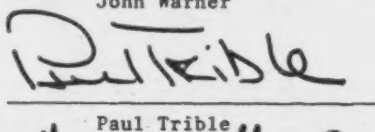
The cost of publishing Peanut Stocks and Processing was about \$25,000 per year for thirteen issues. When U.S.D.A. dropped the report, there was no personnel reduction attributable to the move since those employees continue to provide informational reports on many other subjects...everything from cotton to mink pelts. We would prefer report language instructing U.S.D.A. to make funding available from current appropriations to reinstate the report. However, if necessary, we would request an amount not to exceed \$25,000 be expressly included for such purpose.

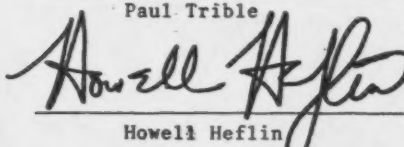
Reinstatement of the peanut report is very important to the producers, handlers and manufacturers of this crop which plays such a vital role in the agricultural economy throughout the South and Southwest regions of America. We urge you and the members of your subcommittee to act favorably on our request at the earliest time possible. Thank you for your kind consideration in this matter.

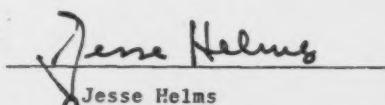
Sincerely,

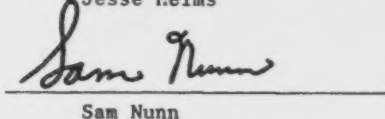

Mack Mattingly

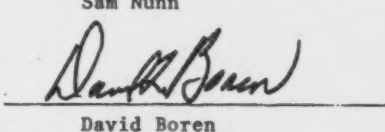

John Warner

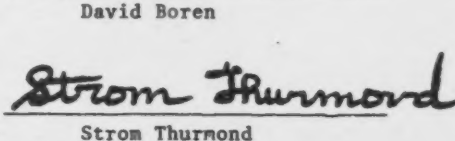

Paul Tribble

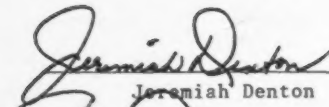

Howell Heflin

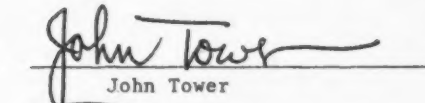

Jesse Helms

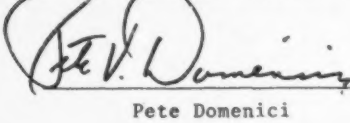

Sam Nunn

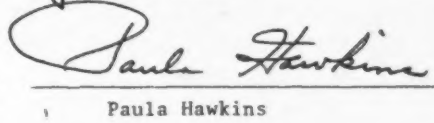

David Boren

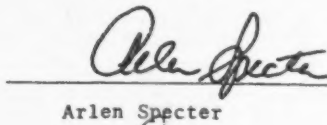

Strom Thurmond

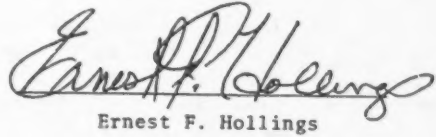

Jeremiah Denton

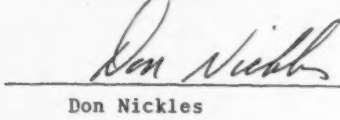

John Tower

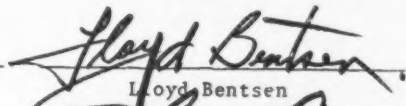

Pete Domenici


Paula Hawkins


Arlen Specter


Ernest F. Hollings


Don Nickles


Lloyd Bentsen


John P. East


Lawton Chiles

NONDEPARTMENTAL WITNESSES

[CLERK'S NOTE: The following statements and supportive materials were submitted to the subcommittee by individuals and organizations which are not a part of the Congress or the Department of Agriculture. The submitted materials will be given full consideration as the subcommittee formulates the fiscal year 1985 agriculture appropriations bill.

It is the subcommittee's understanding that any copyrighted materials which may be included in the submitted testimony are used with the permission of the copyright owners to do so.

The subcommittee wishes to thank these nondepartmental witnesses for contributing their insights and knowledge to the consideration of this appropriations bill.]

AMERICAN FARM BUREAU FEDERATION

Mr. Chairman and members of the Subcommittee, Farm Bureau appreciates the opportunity to present testimony on the FY 1985 budget request for the Department of Agriculture.

The American Farm Bureau Federation is the nation's largest general farm organization with a membership of over 3 million families in 48 states and Puerto Rico. Farm Bureau members produce virtually every type of commodity grown on a commercial basis in the country. Farm Bureau policy is developed by the producer members at the county, state and national levels of the organization. The recommendations of Farm Bureau's commodity advisory committees supplement Farm Bureau policy and, in part, form the basis for our position on funding levels for specific USDA programs.

As in 1983, Farm Bureau's overriding concern is the state of the economy and the resulting effect on agriculture. Like many businesses and individuals, farmers and ranchers continue to find themselves in serious economic difficulty. Agriculture remains in a severe adjustment period due to excess supplies of most farm commodities and weakened demand due in large measure to very little economic growth in the domestic and world economies. Had it not been for the Payment-In-Kind program (PIK) for major commodities in 1983, the cash flow problems of farmers would be more serious than they are presently. Net farm income is projected to be \$29 - \$34 billion in 1984, while exports continue their downward trend to a projected level of \$34.5 billion, almost \$10 billion below the FY 1981 high of \$43.8 billion.

Overview of Farm Bureau's Budget Policy

Farm Bureau supports a three-year moratorium on cost-of-living-adjustments (COLAs) in all federal programs and a freeze of all federal spending at the FY 1984 appropriations level with the exception of interest payments on the national debt and an adequate defense. During the COLA moratorium period, Congress would have the obligation to make structural reforms in the entitlement programs, particularly in the cost-of-living-adjustments. Farm Bureau's Freeze and Fix proposal is designed to reduce federal spending, undoubtedly the principal reason for record high federal deficits.

Consistent with Farm Bureau policy is support for a freeze on target prices. A target price freeze will reduce government incentives to overproduce, promote a market oriented approach to farming, and reduce CCC outlays for price support programs. It is this latter point that will be of major significance to the Subcommittee since price support outlays for FY 1983 were \$18.9 billion, \$6.7 billion in FY 1984, and projected to be \$10.8 billion in FY 1985. A target price freeze for FY 1984 - 1987 would save \$3.5 billion.

FY 1985 USDA Budget Overview

In testimony for the past two years to the House and Senate Appropriations Subcommittees on Agriculture, Farm Bureau has indicated support for reduced spending in the Department of Agriculture even though many of the cuts were in programs viewed as helpful to agriculture. We advised the Subcommittees that Farm Bureau could support a reduced level of spending, but we were concerned that within the budget parameters a serious distortion in spending priorities for production agriculture existed. We believe that situation continues to be true.

Our concerns about the FY 1985 USDA budget are virtually identical to those expressed to the Subcommittee last year and the year before. Principally, the allocation of proposed USDA funding is neither equitable nor wise. Any attempt by the Administration to freeze FY 1985 spending is not a freeze as far as agriculture is concerned. As previously mentioned, Farm Bureau supports a budget freeze, but the Administration's budget produces significant cuts in

or the elimination of many Farm Bureau supported programs rather than merely freezing programs at the 1984 levels.

The following sections highlight Farm Bureau's concerns on the USDA budget for FY 1985.

Research and Extension

Farm Bureau is a traditionally strong supporter of research and extension within the Department of Agriculture. Research has played a major part in the enviable stature of American agriculture today, and the extension programs have made it possible for all farmers and ranchers to benefit from the results of agricultural research. Farm Bureau supports the increased funding level for both the Agricultural Research Service and the Cooperative State Research Service. However, we are disturbed that the Extension Service budget for FY 1985 is reduced by nearly \$35 million. Pursuant to Farm Bureau's policy of support for the Extension Service, we ask the Subcommittee to restore the Extension funding to the 1984 appropriations level of \$334 million.

International Affairs and Commodity Programs

We believe that foreign market development will be one of the keys to restoring the health of the agricultural economy. For this reason, we are pleased to see that such market development receives increased attention in the 1985 budget. For instance, the Foreign Agricultural Service will increase its spending on overseas activities by \$7 million and the PL-480 Food Assistance Program level will increase from \$1.5 billion to \$1.6 billion for its concessional sales and donations. However, as the Subcommittee is aware, the export credit guarantee program will total \$3.175 billion, down from the 1984 level of \$4.175 billion. The USDA has indicated that it will review this funding level at a later date based upon market conditions. However, we urge the Subcommittee to restore funding for the export credit program to the 1984 level during the regular appropriations process.

Natural Resources and Environment

The soil and water conservation programs of the department will experience a \$222 million decrease from FY 1984 to FY 1985. We believe that this decrease is unjustified, particularly at a time when priority must be placed on conservation of soil and water resources and the solution of soil erosion problems. With regard to the Agricultural Conservation Program, we recommend that funds for emergency conservation, the water bank, and the Forestry Incentive Programs be delineated as they were in the 1984 budget, and that the funding level for the entire ACP program be restored to the 1984 level of \$190 million.

Farmers Home Administration and Rural Development Programs

Farm Bureau continues to believe that the principal mission of the Farmers Home Administration is to serve production agriculture. We are pleased that farm operating loans will increase by \$160 million to total over \$2 billion in FY 1985. At the same time, we encourage the Farmers Home Administration to match this increase in funding with an increase in the attention paid to farm borrowers. As the Subcommittee knows, Farmers Home Administration has a heavy case load of nonagricultural loans such as community facility loans, water and waste disposal loans, business and industrial loans, and rural housing loans. This loan mix often means that the administration of farm loan programs is secondary to non-farm loan activities. We are encouraged by the budget's emphasis upon operating programs and the de-emphasis upon community development programs. Until agriculture becomes healthier, we believe that the principal emphasis of the FmHA should be placed upon farm borrowers rather than non-farm programs. Non-farm programs would not be irreversibly harmed by deferral of funding.

Marketing and Inspection Service

In the FY 1985 budget the Animal and Plant Health Inspection Service will experience a reduction of \$15.9 million to a level of \$251.6 million. This decrease is the result of a number of proposed changes. For instance, funds for the brucellosis eradication program will decrease \$26 million or 41 percent from last year's funding level of \$63.5 million which does not include 46 million shifted to an interstate inspection category in the budget. USDA proposes to make up the difference through the use of a check-off system or user fee.

Farm Bureau is opposed to the reduction in funding and the proposed check-off for the following reasons:

1) We are making substantial progress in eradicating brucellosis. The number of quarantined herds reported at the end of 1983 was 11 percent lower than the year before. The percent of infection in marketed cattle was also down about 10 percent. A decrease in government eradication efforts can only lead to a resurgence in infection similar to the one that occurred in the 1970's.

2) Producers are already spending millions of dollars of their own money for brucellosis eradication. According to USDA estimates, producers will spend an estimated \$32.5 million in FY 1984 and \$34.5 million in FY 1985.

3) Brucellosis is a public health problem as well as an animal health problem.

4) The check-off will be costly, difficult to establish, and disruptive to present beef, pork and dairy promotion programs.

USDA studies have shown that depopulation is the most cost effective approach to eliminating brucellosis. In June, 1982, Farm Bureau presented a National Brucellosis Eradication Plan to the Livestock, Dairy & Poultry Subcommittee of the House Agriculture Committee. The plan centered on 1) an accelerated depopulation of infected herds; 2) increased adult and calfhood vaccination in high incidence states; 3) and tougher surveillance. After implementation of the plan, we estimated sharp declines in the number of infected cattle and a sharp decline in government expenditures to control and eliminate the disease.

Farm Bureau continues to support the implementation of a voluntary herd depopulation plan, particularly in free and "a" classification states, and to remove smaller and chronically infected herds in high incidence states. A special effort should be made to clean up the remaining infected herds in the 38 states that reported only 183 herds quarantined on January 31. Eighteen of these states plus the Virgin Islands reported no herds quarantined. Tougher surveillance is urged to prevent reinfection of these states. Increased adult and calfhood vaccination is encouraged particularly in high incidence states to reduce the total infection. We think the time is right to redefine the brucellosis problem and restructure a program for eradication.

We have requested USDA to update the costs associated with our national eradication plan in view of the lower indemnity level now being paid and the lower number of infected herds. These factors will make our plan even more cost effective.

Producers are continually threatened by new outbreaks of rare disease. Avian influenza is a good example. Industry officials believe the Johne's disease has the potential to be more damaging than brucellosis. Producers want to eradicate brucellosis so that efforts can be made to control and eradicate other diseases.

The United States is close to eradicating brucellosis. Now is not the time to reduce funding or shift to another funding method. Farm Bureau asks the Subcommittee to restore funds for the brucellosis eradication program to the FY 1984 level of \$69.5 million.

Another significant reduction occurs in the line item for screwworm. It will be decreased by \$12 million to a level of \$37.2 million. Animal welfare will be cut by \$1.2 million to a level of \$3.7 million. Notable reductions in the plant disease area include a decrease of \$5.2 million in the imported fire ant program (\$617,000 remaining), a decrease of \$3.6 million in witchweed (\$1.1 million remaining), a decrease of \$.9 million in pink bollworm (\$1.5 million remaining), a decrease of \$1.8 million in Gypsy Moth (\$3.4 million remaining), a decrease of \$373,000 in Grasshopper and Mormon cricket (\$954,000 remaining), a decrease of \$88,000 in Golden Nematode (\$919,000 remaining), a decrease of \$677,000 in noxious weeds (\$112,000 remaining), and a decrease of \$169,000 in boll weevil (\$1.8 million remaining). These decreases occur, in part, because the USDA believes that states and users should take a greater role in financing these programs. Farm Bureau has no problem with this position. For example, last year we supported the expansion of the boll weevil eradication program in North and South Carolina where producers agreed to pay at least 70 percent of the program cost. However, the USDA has a habit of proposing budget changes without previous preparation of legislation to enact these budget reductions. This method of operation is unfair, not only to the Subcommittees which must deal with the appropriations, but to farmers and ranchers who must contend with rapid changes in these programs without prior notice of what will be contained in the program. The same is true for user fee proposals, such as those for warehouse inspection services, the administration of marketing orders, the administration of rural electric and telephone loans, commodity news reports, and animal and plant disease eradication programs.

* * * * *

Farm Bureau asks that USDA programs that have been recommended for cuts in 1985 be restored to the 1984 spending level. We believe that this request represents a responsible approach to the FY 1985 budget and to the needs of farmers and ranchers. We have not requested additional funding or new programs. By the same token, we do not want the Department to eliminate or reduce existing programs without sufficient justification or notice to farmers.

Thank you for your consideration of our views. Farm Bureau requests that its statement be included in the hearing record.

THE NATIONAL COTTON COUNCIL

SUMMARY OF REQUESTS

USDA - ARS	Urge approval of research construction funds for Plant and Water Conservation Laboratory, Lubbock, Texas (\$20 million).
USDA - CSRS	Request that competitive grants program for agriculture have safeguards so that grants go to institutions that will integrate new findings into production system.
USDA - EXTENSION	Extension pest management program. Restoration of \$1.5 million of earmarked funds for boll weevil management program plus an increase of \$0.175 million for additional states with weevil problem. Total \$1.675 million.
USDA - EXTENSION	Pesticide impact assessment. Restore \$1.7 million of earmarked funds for pesticide impact assessment.
USDA - APHIS	Restore proposed \$169,000 cut in Texas High Plains boll weevil management program.
USDA - APHIS	As plans for expanding the weevil eradication program are completed, additional funds to cover APHIS role in program may be requested.
USDA - APHIS	Restore \$861,000 for cooperative federal-state quarantine program for the pink bollworm.
USDA - FAS	Increase GSM-102 credit guarantees allocation by \$6 billion.

The National Cotton Council is the central organization of the U. S. cotton industry, representing growers, ginners, warehousemen, cotton crushers, merchants, cooperatives, and manufacturers from California to the Carolinas.

At the Council's meeting in February, the 295 delegates selected by 88 separate state, regional, or national organizations strongly endorsed expanded agricultural research programs. In a unanimous resolution, they expressed continuing support for "...appropriations for cotton research and Extension programs conducted by USDA and Cotton Belt states, including federal funds for cotton and cottonseed research that provide for efficient program growth to adequate levels, recognizing that such action is not inflationary and will produce public benefits far in excess of its costs."

Delegates also established a research liaison task force to monitor publicly supported research programs for cotton.

Their resolutions were prompted by the basic premises that:

(1) Agricultural research, both basic and applied, is essential to our nation's well-being and to its future. Without it, agriculture will not continue to be this country's largest and most productive business.

(2) Even though agricultural research is expensive and requires sufficient time to be accomplished, its benefits far exceed its costs. Like other research, it requires trained scientists, proper facilities, and scientific equipment that is costly but imperative. Because it involves biological systems and organisms, agricultural research must be established through long-range commitments of resources if it is to provide maximum benefits.

The high rate of return to society from public investments in agricultural research is well documented. Separate studies at Mississippi State University, Virginia Polytechnic Institute, and Yale show the annual rates of return on crop and livestock research investments range from 17 to 110 percent. For cotton, it is 35 percent.

(3) The nation's agricultural problems and opportunities are diverse and widely separated geographically, requiring multi-location efforts. Examples include the on-going boll weevil eradication effort in the Carolinas, the integrated pest management system in Mississippi, and the pink bollworm and aflatoxin efforts in California and Arizona.

(4) Production research, with its goal of lowering production costs and increasing the productivity of limited resources, is a powerful anti-inflationary force. Lower costs allow U. S. growers to be more competitive in world markets. Because the strength of the American dollar is making U.S. farm commodities expensive for our foreign customers, we must find new ways to reduce production costs in order to compete effectively for these markets.

(5) The continued erosion of federal funding for agricultural research in general and cotton research in particular gravely concerns our industry.

We recognize the need to reduce government spending and inflation. In that vein, we have reluctantly accepted a "no-growth" agricultural research budget and a continued decline in cotton's share in recent years, with the expectation that funding for essential projects would be provided in the future. However, we are compelled to recommend several adjustments in USDA's proposed FY 1985 budget.

The Agricultural Research Service budget is increased less than 2% even though inflation and other added costs are again sharply reducing program efforts. Title XIV in the agricultural acts of both 1977 and 1981 called for steady growth in research programs and funding levels. The proposed budget falls far short of doing this. In the past decade, the number of scientist-years in federally funded cotton research has dropped 25%. Cutbacks have been made in support personnel and operating funds, and research equipment and facilities have been downgraded. As a result, several cotton research programs have been severely damaged. Moreover, the ARS 6-year plan for redirection of its research points to further sharp reductions in several important areas, including plant protection.

Since the budget summary includes no funds for research construction, we assume none are provided for the Plant Stress and Water Conservation Laboratory at Lubbock, Texas. We appreciate the \$500,000 made available in FY '84 to complete plans for this laboratory, but some \$20 million in construction money is urgently needed to make this lab a reality.

The budget also proposes an increase of less than 2 percent for Hatch funds for state experiment stations. With inflation, this means less program. We had hoped for a more adequate increase.

The \$33 million increase recommended in the competitive grants program is primarily for the new initiative in biotechnical research. We agree this is a highly promising area, yet we are concerned that the increase may be at the expense of states' formula funds or of the ARS. We suggest that a competitive grants program for agriculture have appropriate checks and reviews to safeguard against grants being awarded solely to institutions skilled in "grantsmanship." Care should be taken to see that grants go instead to institutions which have demonstrated capabilities for conducting meaningful research and which have the resources and commitment to integrate new scientific findings into production systems.

The germplasm program for major crops is gravely underfunded. A balanced program of exotic germplasm acquisition, maintenance, evaluation, and enhancement is needed. However the reality of funding within USDA has severely limited cotton germplasm operations to a low level of maintenance for critical collection. Without additional funding, national germplasm activities will suffer even more.

The budget contains only a slight increase in formula funds for Extension Service programs. But we note that \$9.2 million of Extension's earmarked funds for pest management and pesticide impact assessment would be eliminated. Of this amount, \$7.5 million would be taken out of Extension pest management programs — totally eliminating federal funding for these programs.

Included in this elimination is the \$1.5 million allocated for the ongoing and highly successful boll weevil management program in the 11 states originally infested. Since then, weevils have become a serious problem in Arizona, in the southern desert valleys of California, and in the cotton-growing area of Florida. And just last fall, they were trapped in southwest New Mexico.

We strongly urge the restoring of Extension pest management funds, with an increase in the funding level for boll weevil management to \$1.725 million. The additional \$175,000 should be used in those four states that now have the weevil but are not receiving any of these critically needed special funds. Federal pest management funds make it possible for states to provide professional staff and support materials to plan and carry out educational programs in support of farmers and private pest management consultants. Most of the costs to manage pests are paid for by farmers themselves.

The \$1.7 million funding for Extension's pesticide impact assessment program should be maintained since it helps keep a reasonable benefit-risk balance in pesticide regulatory actions.

With regard to APHIS, we are pleased to see the budget includes \$1 million for USDA's 30 percent cost share for the final year of the boll weevil eradication program in North and South Carolina.

We are seriously concerned, however, about the proposed cuts in the Texas High Plains boll weevil program and the Beltwide pink bollworm program.

The High Plains program, which started as a joint effort between USDA and farmers in 1964, has succeeded in keeping the weevil from becoming established in that area. Ninety percent or more of the farmers who pay their cost share for the program have no weevils, but are investing to keep them out. In recent years, rising application costs have made it difficult to meet program requirements with the current budget. The proposed \$169,000 cut in this program certainly needs to be restored.

Looking ahead, farmers are enthused about the prospects of eliminating the boll weevil in the Carolinas. The program there seems to be very much on track, and the situation looks so good that farmers in Alabama, Georgia, and Florida are expressing a great deal of interest in expanding it to their states. In fact, plans are underway for a possible startup in July, 1985.

In the West, growers are greatly interested in eradicating the weevil from the recently infested areas of Arizona and southern California. San Joaquin Valley growers, with the weevil at their back door, fear their area may also be invaded. Plans are being readied for a western eradication program that could begin this fall. For full effectiveness, the program as now planned will involve Mexico as well as APHIS and the states of Arizona and California.

Later in the year, when plans and projected costs are firmed up, we expect to come back to this Committee and request additional funds to cover APHIS' essential role in the expanded weevil eradication program in the East and the new program in the West.

Congress in each of the past several years has had both the insight and the foresight to restore significant cuts proposed in pink bollworm funds. The FY 1985 budget proposal, as in the FY '84 proposal, includes a 36 percent cut which would eliminate the cooperative federal-state quarantine program for the pink bollworm.

The Administration budget says this cut is an example of USDA's efforts to expand state involvement in programs that are "regional in nature." But with the areas that are already infested and with those that

are threatened to be, the pink bollworm is more than just a "regional" problem. It is Beltwide. The so-called expansion of state involvement really means that the states will have to carry the full load of pink bollworm quarantine work. The cooperative federal-state program has worked well for many years, and APHIS' role in it is essential. The proposed \$861,000 cut in this vital program should be restored.

Another extremely important issue for fiscal 1985 and beyond is continued funding for USDA-FAS market development and CCC programs. Agricultural exports are fundamental to a sound farm economy as well as to the nation's total economy. And we in the Council know that if the cotton industry is to remain strong and healthy, it must maintain traditional export markets and also expand into new areas.

The only way we can hope to do this is through promotions and services designed to stimulate increased consumption. The FAS market development program serves a vital need in this regard, enabling our industry to maintain frequent contact with foreign mills, apparel manufacturers, retailers, and consumers. The government-industry investment in the program is multiplied many times over by contributions from foreign partners. The net result is increased consumption of U.S. cotton in foreign markets, and a wise and effective investment of government funds.

In the coming fiscal year, export credit and credit guarantee programs will take on added significance. Nearly every major cotton-producing country outside the U.S. will have a program to encourage increased production. And if our cotton is to remain competitive in world markets, we will continue to need export credit and credit guarantee programs to stimulate adequate commercial financing required by cotton importers.

It should not be overlooked that export credit guarantees actually generate a profit for the U.S. government. Although GSM-102 authorizations are shown as a line item on the budget, the simple fact is that no major U.S. cotton customer has ever failed to repay loans guaranteed under the program.

We sincerely believe the Administration's \$3 billion budget proposal for GSM-102 credit guarantees in fiscal 1985 is woefully inadequate in view of anticipated demand. We strongly urge that favorable consideration be given to increasing the allocation to at least \$9 billion. And we further suggest that USDA be instructed to use these funds for maintaining and expanding traditional markets, with particular emphasis on countries with strong repayment records.

Thank you, Mr. Chairman and members of this Committee, for allowing us to testify on this important issue.

NATIONAL MILK PRODUCERS FEDERATION

STATEMENT OF PATRICK B. HEALY, CHIEF EXECUTIVE OFFICER

The National Milk Producers Federation is pleased to have this opportunity to comment on the budget requests for the agencies of the U.S. Department of Agriculture as well as activities of the Food and Drug Administration for Fiscal Year 1985. Specific recommendations contained in our statement include:

- (1) An increase in funding and staffing levels to at least \$4,639,000 and 76 staff years so as to permit the Agricultural Cooperative Service to maintain present levels of operation.
- (2) An increase of \$45.7 million to restore the Brucellosis Eradication Program of the Animal and Plant Health Inspection Service to an operating level of \$83.3 million.
- (3) Funding of Child Nutrition Programs at levels sufficient to maintain participation levels, re-establishment of the Special Milk Program to serve all eligible children, and maintenance of the Child Care Feeding, Summer Feeding and Nutrition Education Programs.
- (4) An increase of \$200,000 to maintain availability of the Dairy Indemnity Program.
- (5) An increase of \$5,760,000 to restore the animal health and disease research grant program of the Cooperative State Research Service.
- (6) Restoration of funding for the Agricultural Conservation Program to at least \$190 million and rejection of the plan to consolidate this effort with other conservation operations.
- (7) Report language and, if necessary, increased funding to secure adequate enforcement of food standards by the Food and Drug Administration.

AGRICULTURAL COOPERATIVE SERVICE

The Agricultural Cooperative Service of USDA is the only Federal agency charged with responsibility to assist agricultural cooperatives and their farmer owners in dealing with organizational, operational and management problems. At a time when the income situation faced by American farmers is extremely critical, there is greater need than ever for strong, effective cooperatives to assist farmers in holding the line on production costs and in obtaining the best return available in the market. Farmer cooperatives provide producers a unique and effective means of addressing these needs. Unfortunately, like their farmer members, many cooperatives today find themselves under increasing strain as a result of conditions in the farm economy.

The proposed reduction in funding for ACS, coupled with the steady erosion of the agency's capabilities through personnel cutbacks, will preclude the agency from responding to the needs of farmers and their cooperatives at a time when such aid is most needed. As a minimum, Agricultural Cooperative Service funding should be maintained at the \$4,639,000 level currently provided. In addition steps should be taken to assure that adequate staffing is provided to meet the workload this level of funding will accommodate.

The budget proposes to accommodate the reduced funding proposed by reducing work on international marketing programs, the development of financial performance criteria for cooperatives and cutting back on the research performed by the agency. Along with the \$1.1 million funding reduction is a proposed personnel ceiling of 66, a reduction from 76 staff years available in 1983.

The resources of the agency represent the greatest concentration of skill and knowledge regarding agricultural cooperation in the United States, if not in the world. Its activities in the past few years have touched the operations of producers of virtually all commodities. Heavy concentration has been given to the problems of specialty crop producers with unique marketing problems and low resource producers to whom this assistance can mean the difference between maintaining their operations or being forced from the farm.

The demands made on ACS resources have increased and can be expected to continue to increase. The combination of the static funding level and decreased personnel resources have limited the ability to respond to this need. The proposed reductions for 1985 would be devastating in their effects. The Federation is presently working with other concerned groups to develop a detailed review of the agency's operations. The purpose of this work is to assure that the limited resources of ACS are concentrated most effectively in the areas most needed. This effort is

just now beginning, however, we look forward to sharing the results of the study with the Committee when it has been concluded later this year.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The proposed cutback of funding for the Brucellosis Eradication Program from its current \$69.5 million operating level to \$37.6 million and replacement of a portion of the funds with monies derived from a user fee or check-off program can only lead to erosion of recent gains made in eradication of this disease that poses both a public and animal health threat. We recommend that program funding for 1985 be restored to the \$83.3 million level available in 1983.

The Brucellosis Eradication Program is designed to protect the public health. As such, adequate Federal support is absolutely essential if the goal of eradication is to be achieved. Dairymen have been completely mystified by the continual efforts of the administration to cut funding for a program which is serving a basic public health need and one where continued progress is being made to reduce the infection rate and the number of herds on quarantine, particularly in the more highly infected states.

Given the proposed cut in Federal contribution from \$83.3 million in 1983 to \$37.6 million in 1985, it would appear improbable that dairy farmers could ever support any user fee program. The Federal contribution currently is far below that we consider absolutely essential for maintaining an accelerated brucellosis eradication effort in the highly infected states. When it became necessary to reduce program operations to the \$69.5 million level, the ability to continue an aggressive program of secondary surveillance in the highly infected states was severely compromised. The proposed make-up of the difference between a Federal contribution of \$37.6 million and the already inadequate level of funding at \$69.5 million by a user fee plan has been characterized by the U.S. Animal Health Association Committee on State-Federal Relations as a "national disgrace."

As mentioned, the increase is necessary to maintain the momentum achieved over the past few years under the accelerated eradication program. We have learned the costly lessons of untimely cutbacks in program work. Premature cutbacks in operations in the 1960's resulted in increased infection rates and the need to later increase outlays to recover that lost ground.

While we recommend rejection of the proposed cutback in funding and restoration of appropriations to earlier levels, the Federation is aware of the need to carry out this program in the most cost-effective manner possible. With this in mind, we have established a special task force charged with responsibility to develop recommendations for program changes aimed at bringing about a more rapid reduction in the infection rate from this costly disease and the transfer of responsibility for maintaining the ongoing program of the industry. This group has made an initial review of possible actions. We are presently in the process of working with other segments of the livestock industry to secure broad based agreement on the issues involved. If this can be achieved recommendations will be made to the U.S. Animal Health Association later this year. We look forward to discussing these recommendations with the Committee in connection with formulation of the budget for Fiscal year 1986.

As part of the ongoing effort to eradicate brucellosis from the nation's livestock herd, increased research is necessary on the development of more effective vaccines. We fully support efforts in this area along with maintaining the effective eradication operation that an \$83.3 million funding level would provide for 1985.

FOOD AND NUTRITION SERVICE

The Child Nutrition Programs of the U.S. Department of Agriculture are among the most effective programs operated by the Federal government. The demonstrated improvement in the national nutrition level and general public health brought about by these programs has been outstanding. The work of this Committee in maintaining and improving these programs is a signal accomplishment.

Changes in the School Lunch Program and the curtailment of availability of the Special Milk Program several years ago brought about sharp reductions in the consumption of fluid milk by school children. Reductions in consumption of as much as 20 to 25 percent in some instances have been reported to the Federation by our membership. This is alarming as milk is an essential nutrient source for children, particularly as a supplier of calcium, phosphorus, riboflavin and protein, all of which are basic to healthful development during a child's growing years. The

Federation supports legislation which would reinstate the Special Milk Program's availability to all schools. While it falls short of this goal, the legislation approved by the House of Representatives last year and pending in the Senate which would extend the Special Milk Program to all kindergarten students is fully supported.

The proposal to consolidate a number of child nutrition programs--the Summer Feeding Program and the Child Care Feeding Program--is simply a reworking of proposals put forth in the past. The Committee has rejected these ideas in the past and should do so again. The programs involved meet important needs in the overall child nutrition pattern and should be maintained.

DAIRY INDEMNITY PROGRAM

The budget request eliminates funding for this program. Outlays under the program have been modest in most years since it was initiated. In 1980, the program cost \$92,000 and \$43,000 was spent in 1981. Its availability, however, has meant the difference between continuing in the dairy business and being forced to disperse their operations for the affected dairymen. Indemnity payments are available to farmers whose milk is barred from the market due to the presence of residues of pesticides, other toxic chemicals or nuclear radiation. No producer is eligible for indemnity payments if the residues are the result of misuse of a product or other negligent act of the farmer. In the case of other toxic chemicals or nuclear residues, if the Secretary determines that the farmer has other recourse available, no indemnity will be paid. In the case of pesticide residues, it is incomprehensible that a farmer should be penalized for use of a product according to instructions and registration approved by an agency of the Federal government. Yet that is just what has happened in the past and what provided the basis for initial enactment of this program by the Congress. We recommend that \$200,000 be made available for this program.

AGRICULTURAL RESEARCH

The Federation recommends restoration of the \$5,760,000 item for the Cooperative State Research Service program of grants for animal health and disease research. The funds available under this program have allowed concentration of research effort on animal health and disease problems of specific regions, thereby complementing research and disease control efforts of USDA.

We would also urge that special attention be given to initiating a research program to develop better control and treatment methods for Johne's Disease, a debilitating disease of cattle. Special efforts need to be made to expand our research efforts to find better diagnostic, treatment and control methods.

AGRICULTURAL CONSERVATION PROGRAM

National Milk Producers Federation maintains its support for the Agricultural Conservation Program as the most direct and effective means of assisting farmers in maintaining the quality of our most basic production resource. The proposed consolidation of the Agricultural Conservation Program with other conservation efforts of the Department of Agriculture, coupled with a scaling back of funds for the total effort would be a clear signal of a lessening of effort and emphasis on the need for resource conservation. Expert evaluation of the conservation needs of the country indicate that the problems to be addressed have grown in recent years and that expanded efforts rather than a shrinking of programs are needed. We support maintaining the ACP funding at a minimum of \$190 million.

FOOD AND DRUG ADMINISTRATION

We urge the Committee to continue to investigate the extent to which the Food and Drug Administration is fulfilling its obligations under the Food, Drug and Cosmetic Act to enforce standards of composition and identity for many traditional foods. Lack of enforcement on the part of the agency creates the opportunity for fraud and deception in the marketplace, defeats the purpose of the Act, injures the consumer and presents the prospect of lost markets for agricultural producers.

We would hope too that the Committee would look further into the present situation with regard to enforcement of rules governing foods labeled "substitutes," since we have found products in the market labeled as "cheese substitutes" to be misbranded. These matters have been brought to the attention of the agency on numerous occasions with no effective response. FDA maintains that such enforcement is a low

priority of the agency and that a lack of resources will force continued assignment of a low level priority to such work.

FDA is mandated by law to enforce matters relating to misbranding regardless of budgetary constraints. Because of the agency's unwillingness to enforce the law, we request the Committee to develop language in its report directing the allocation of resources to provide surveillance of misbranding practices where the identity of a food is promoted or compared with a food for which FDA administers a standard of identity.

NATIONAL ASSOCIATION OF STATE DEPARTMENTS OF AGRICULTURE

STATEMENT OF HON. LEONARD KUNZMAN, PRESIDENT

TESTIMONY ON 1985 BUDGET

The National Association of State Departments of Agriculture (NASDA) represents the departments of food and agriculture in the fifty states, the Commonwealth of Puerto Rico, and the U. S. territories of Guam, American Samoa and the Virgin Islands. These state and territorial agencies work very closely in cooperative partnership with the U.S. Department of Agriculture and the Food and Drug Administration. The federal budget has a huge impact on budget planning and program policymaking at the state level. This is especially true of programs that are carried out on the basis of cost-sharing and cooperative funding and manpower agreements.

We will confine our testimony to cooperative programs in such areas as animal and plant health inspection, domestic and international marketing, meat and poultry inspection, soil and water conservation, and FDA contracts with the states. states have continued to make slow but steady progress toward eradication of this highly contagious disease.

The Administration now proposes to cut the appropriation to \$37,663,000, and raise \$25,877,000 through user fees, bringing the total to the current year amount of \$63.5. We do not believe that dairymen and cattle producers are capable or willing to shoulder this burden at a time of economic difficulty in the dairy and beef industries.

NASDA has long been in support of a national program that would eliminate brucellosis in the United States. We are capable of achieving that goal. To do so will require a commitment on the part of the Federal Government, the states, and the industry. We do not believe that a proposal such as has been put forth in the 1985 budget shows that commitment on the part of the Administration. We understand there is little or no support for such a proposal on the part of industry.

Consequently, Mr. Chairman, we urge this sub-committee to restore brucellosis funding in 1985 to at least the \$80 million dollar level, and instruct the U.S. Department of Agriculture in cooperation with the states and industry to get on with the job of eradicating brucellosis from the dairy and cattle industry in the United States.

SOIL AND WATER CONSERVATION

Another high priority of NASDA is soil and water conservation. The Association is also alarmed by the proposed deep cuts in the soil and water conservation activities of the Soil Conservation Service and the Agricultural Stabilization and Conservation Service. Total USDA conservation support has declined from more than one billion dollars in fiscal 1983 to \$973 million this year, and the budget calls for \$725 million in fiscal 1985.

Cost-sharing programs would be especially decimated. The Agricultural Conservation Program, which celebrates its 50th Anniversary this year, would be cut in half, and four other cost-sharing programs (Resource Conservation and Development, Water Bank Program, Forestry Incentives, and Emergency Conservation Program) would be totally eliminated.

The nation's soil and water resources are under intense pressure and our future agriculture productivity depends as never before on the conservation and enhancement of these precious resources. This is not the time to cut back on our conservation commitment nor to virtually abandon the cooperative, cost-sharing approach which has been the core of our national conservation effort for half a century.

The Association therefore respectfully requests the Subcommittee to restore the soil and water conservation programs of both SCS and ASCS to an appropriate level.

MARKETING

There is no better method of boosting farm and ranch income than the expansion of markets for U.S. agricultural products. Farm

prosperity increasingly depends on marketing systems that are modern, efficient, adaptable, and aggressively competitive.

During the past decade, the Federal government, the States and the private sector have pooled their resources and expertise together in a number of innovative and promising cooperative ventures aimed at expanding our export markets. Some of the best examples of this partnership are the various cooperative programs funded in part by the Foreign Agricultural Service's export market development program.

For example, FAS helped our Association sponsor a highly successful export trade show in Atlanta, Georgia, last May. The show, called the NASDA National Food and Agriculture Exposition, attracted 414 U.S. firms and about 1,000 foreign buyers. A post-show survey indicates that U.S. exhibitors expect to consummate sales agreements with foreign firms totalling nearly \$200 million as a result of contacts made at the show. The Atlanta Exposition proved so successful that FAS and NASDA are moving ahead on a second NASDA National Food and Agriculture Exposition to be held in Kansas City, MO in April 22-24, 1985. We expect this joint venture will be an on-going project held at two year intervals in different regions of the country. It is capable of boosting the U.S. share in food and agricultural trade and generating hundreds of millions of dollars of new export sales of value-added and other agricultural and silvicultural products.

The Exposition would not be possible without FAS financial support. This is just one of several highly promising export projects undertaken by FAS on a cooperative basis with States and private sector commodity groups. The Association, therefore, requests your support for the Administration's proposed increase in the FAS market development budget.

As vital as export markets have become in recent years, we cannot afford to neglect necessary improvements in domestic marketing methods and facilities. This is primarily a task for the private sector, but government has a supporting role to play. Two programs of the Agricultural Marketing Service have been especially successful in helping to modernize domestic markets and reduce marketing costs. These programs are the Federal/State Marketing Improvement Program (FSMIP) and the Wholesale Market Development program. The proposed budget recommends zero funding for both programs.

The Association is especially concerned about FSMIP which requires matching funds from participating States. The program supports authorized projects designed to solve marketing problems or to put marketing research to practical use. Its purpose is to experiment with new, untested techniques, and it has become a major catalyst for many of the changes and innovations that are now taking place in the marketing field.

During the current fiscal year, the States were notified of the availability of FSMIP funds in January, 1984. Since then, 18 project applications have been submitted by 12 States and Guam, and three projects have already been approved. They involve a study of grain movement in the Midwest, consumer acceptance of small sized potatoes, and improved marketing information for sunflower seeds.

Last year (fiscal 1983), 27 projects in nineteen states were funded for a total of \$1 million in federal funds. That same year, 43 project applications totalling \$2.4 million were received. There is strong interest in this program and a continuing need for improved marketing techniques in such priority areas as market transportation, export promotion and electronic marketing.

The Association appreciates your past support and asks you to fund FSMIP at the \$1 million level the Subcommittee approved for FY 1984.

OTHER APHIS PROGRAMS

The Association has carefully reviewed the budget proposals for other animal and plant health programs, and we have a number of pressing concerns. In the first instance, the APHIS budget is largely predicated on the assumption that the States and producers are able to bear much, if not all, of the cost of many disease and pest containment and eradication programs. We disagree. The fiscal situation at the state level remains very difficult, and most state

agriculture agencies have undergone significant budget and personnel reductions since 1981. Producers are in even worse shape after three or four years of severely depressed farm and ranch prices. Consequently, the elimination or drastic reduction of federal support may necessitate the virtual abandonment of eradication and containment programs -- in some cases jeopardizing years of progress and investment.

Secondly, the APHIS budget proposal would result in the termination of two federal quarantines -- pink bollworm and imported fire ant. Lifting federal quarantines on such pests as pink bollworm will not only increase the risk of new infestations, it might also lead to the proliferation of state quarantines, to the detriment of interstate and foreign commerce.

Requirements for the movement of some plants and animals between states are now based on minimum standards relating to uniform rules and methods. If these uniform movement requirements are dropped as a result of the termination of federal quarantines, each individual state would probably implement its own restrictions on susceptible plants or animals from other states. This would cause serious economic difficulties. Exports would also suffer because most foreign countries that buy plants, plant parts, livestock, meat and meat-by-products require certifications based on active and uniform eradication programs.

Mr. Chairman, the Association is especially concerned about witchweed, gypsy moth, pink bollworm, imported fire ant, noxious weed, and the grasshopper/Mormon cricket programs.

Witchweed: Witchweed is a serious parasite that causes losses amounting to approximately ten percent of the host crop's yield. It spreads rapidly and it is capable of infesting all corn-, sorghum- and sugarcane-growing regions of the U.S. Nevertheless, the budget proposes to end all treatment activities, and provide just enough funds to carry-on the regulatory program. The Association requests the full restoration of funding at the 1984 level (\$4,723,000), and we further ask the Subcommittee to consider the need for a stepped-up eradication program beginning in 1985.

Gypsy Moth: Gypsy moth is being found throughout the U.S. There is ample evidence in the Northeastern States that this pest is capable of widespread destruction of deciduous trees and, possibly, some evergreens if the infestation is allowed to continue for several years. USDA and the States have maintained a quarantine and operated eradication programs against several isolated infestations. USDA/APHIS recently implemented a strengthened quarantine regulating the movement of household and backyard articles. We strongly support this action which we called for in our testimony before the subcommittee last year. However, we also need adequate funding to eradicate infestations and not just contain them. The Association therefore requests an appropriation of no less than the current year level of \$5,178,000.

Pink Bollworm: The termination of the pink bollworm quarantine increases the risk of an infestation in the San Joaquin Valley and other uninfested areas. Without survey support from APHIS, States may have difficulty locating new or expanded infestations in time to effect eradication. Moreover, the funding cut jeopardizes APHIS's long-range plan for the pink bollworm-rearing facility in Phoenix, Arizona. We therefore recommend the restoration of funding for pink bollworm at the current year level of \$2,393,000.

Imported Fire Ant: With respect to imported fire ant, the budget proposes to discontinue federal survey and control work on the grounds that "the pest is now confined to the Southern states and new and effective pesticides are now available to the States and to farmers for use in controlling fire ant infestations." We submit, on the contrary, that the infestation is expanding -- especially to the west -- at an alarming rate and that available pesticide tools have proved, at least to date, less than satisfactory.

Currently, the Association requests full restoration of the program to the current amount of \$5,809,000 to carry on the federal quarantine at an effective level. We also suggest that the ARS research facility at Gulf Port, LA, be continued and strengthened.

Noxious Weeds: The reduction of Federal funding for the noxious weed program would cause the elimination of suppression programs against common crupina, itchgrass, goatsrue and hydrilla. All four

of these weeds are potentially serious economic risks to the plant industry of the United States, and all four can be totally eradicated at reasonable cost. Losses due to exotic weeds and the cost of control in the U.S. are estimated at \$18 billion annually. Full funding of the Federal Noxious Weed Act is a wise precaution and a prudent investment. We therefore request no less than the current year funding of \$789,000 for noxious weed suppression in 1985.

Grasshopper - Mormon Cricket: The reduction of Federal funding of the grasshopper/Mormon cricket program means that there would be insufficient money to conduct survey work in the field. The lack of accurate surveys and the absence of APHIS/PPQ field personnel would severely limit our ability to respond to a serious outbreak if one should occur. The Association requests adequate funding to carry-on the grasshopper/Mormon cricket program at the current level of activity (\$1,327,000).

MEAT AND POULTRY INSPECTION

Cooperative State meat and poultry inspection programs are undergoing very critical scrutiny by Governors and State legislatures who are under great pressure to seek out every opportunity to cut expenditures. States have the option of relinquishing their programs and passing the full cost of meat and poultry inspection back to the U.S. Department of Agriculture. A number of states have exercised this option in recent years, and only 27 states remain in the program.

Representative Jim Jeffords and Senator Daniel K. Inouye have recently introduced legislation (H.R. 1795, S. 593) which will bolster the remaining State programs. These bills would permit State-inspected meat and poultry products to enter interstate commerce.

The Association is hopeful that the remaining 27 meat and 24 poultry programs will survive the current budget crises if USDA continues to share 50 percent of program costs. The alternative is for USDA to take over these state programs and absorb the total cost. The proposed budget recommends \$36,196,000 for grants to states for meat and poultry inspection. This amount is sufficient to partly offset increased costs resulting from inflation and mandated pay increases. We respectfully ask your approval of this recommendation, and take this opportunity to express our gratitude for your past support of State meat and poultry inspection programs.

FDA CONTRACTS WITH STATES

Since 1973, the Food and Drug Administration has contracted with State departments of agriculture and other State agencies for the performance of food, feed and medical equipment inspections by State personnel. This arrangement saves tax dollars because it permits a more efficient use of State inspectors and cuts FDA personnel costs. It also helps the States keep abreast of the latest inspectional and analytical techniques. At the present time there are 93 contracts with 46 States and Puerto Rico.

FDA contracts with States are funded through the agency's field operations (EDRO) budget. FDA has been required to absorb marginal cuts in its field operations budget each year since fiscal 1980. This reduction led to even steeper cuts in State contracts. For example, in fiscal 1980, contracts were funded at \$5.3 million; in fiscal 1981 at \$4.4 million; in fiscal 1982 at \$3.3 million. Thanks to the Subcommittee's support for state contracts, the current year level is \$5.6 million. We respectfully ask no less than this amount in 1985.

The contracts are cost-effective, because State personnel costs are generally lower than Federal personnel costs; and mandatory inspection work can be carried out for less money. From the perspective of budget economy, the program should be continued and even expanded.

SUMMARY

Mr. Chairman, the Association would like to call your attention to a longstanding problem which has caused serious disruption in program planning and budget management at the state level. I refer to the problem of arbitrary and sudden cutbacks in federal support for cooperative programs. This problem has been compounded by the utilization of different fiscal year calendars, and by lengthy delays in the federal budget process.

Moreover, when Federal budgets are reduced, State cooperative programs often bear a disproportionate share of the cuts, despite their well recognized cost-effectiveness.

For this reason, we ask your help in adding language to the Appropriations Bill to assure that when reductions are necessary, State cooperative programs will not be required to take a greater cut in percentage terms than the budget reduction sustained by the cooperating Federal agency.

The Association looks forward to working with the Subcommittee, and we are grateful for this opportunity to testify on the 1985 Budget.

NATIONAL AGRICULTURAL RESEARCH AND EXTENSION USERS ADVISORY BOARD

STATEMENT OF DR. WILLIAM E. MARSHALL, CHAIRMAN

My name is Bill Marshall, President of the Microbial Genetics Division, Pioneer Hi-Bred International, Inc. I am submitting these remarks as Chairman of the National Agricultural Research and Extension Users Advisory Board.

As you are aware, the Users Advisory Board was established by the National Agricultural Research and Extension Teaching Policy Act of 1977 to provide information and independent advice to the President and Congress on issues of concern to users of agricultural research and extension services. Copies of the Board's analysis of the proposed FY 1985 budget for food and agricultural sciences were distributed to members of the committee several weeks ago. I would like to briefly apprise you of some of our primary concerns.

You and I share the concern that America is losing its market share of world agricultural markets. World trade of U.S. farmers has lost 6 percent of their market share since 1981-82 in wheat, coarse grains, and soybeans. Many analysts feel grain exports will increase only 2 to 3 percent in the decade ahead, compared to the 10 to 14 percent annual increases in the seventies. In addition, American livestock producers have experienced a major collapse in their domestic consumer demand for red meats with health promotion and dietary guidance changes. Our science and education programs must be sensitive to these changes in the marketplace. These and other events in American agriculture have focused the attention of the Users Advisory Board on new directions for agricultural research.

Research techniques have changed significantly in the past two decades with the advent of emerging technologies. Hand calculators have been replaced by high speed computers. Pest and disease screening procedures have been made more efficient through test tube experiments for disease resistance rather than in large field plots or in barns. Research facilities control environmental conditions such as time, temperature, and light reducing trial and error experimentation.

Today we have a new tool--biotechnology, which portends to enable agricultural scientists to control life processes at the molecular, cellular and organismal levels. We believe that the rapidly emerging knowledge of biological systems can be used to contribute to the economic development of agriculture through improved cost efficiency. Several significant scientific breakthroughs have already occurred. Gene splicing enabled the Agricultural Research Service and Genentech, Inc. to produce a live vaccine for treating foot-and-mouth disease. Animal hormone-like substances to stimulate efficient weight gain and milk production may be available in a 3 to 5 year period. Commercial product releases of disease resistant varieties of wheat, rice, cotton, and soybeans are anticipated within the next five years.

There is significant collaboration between public and private sector agricultural research laboratories. One only needs examine the list of public institutions receiving awards from the large agribusinesses investing in agricultural biotechnology to see the flow of dollars to universities and departments outside of the colleges of agriculture at our land-grant universities.

Colleges of agriculture which receive agribusiness funds as well as the National Science Foundation and National Institutes of Health funds have basic science departments within the colleges of agriculture. In our July 1983 report, we reported a significant relationship between the number of basic scientists within our colleges of agriculture and the ability to obtain non-USDA grants. Eighty-four percent of scientists in basic science departments were affiliated with 20 of our 58 State agricultural experiment station locations who rely on USDA funds for less than 20 percent of their station funds. The remaining 38 State agricultural experiment stations rely heavily on USDA.

In an era of limited federal funds, we believe that USDA agricultural research funds should be used to achieve the following objectives:

1. Improve the balance between fundamental and maintenance agricultural research

2. Provide training opportunities to attract superior young scientists to agricultural problems
3. Strengthen the scientific capacity of our state agricultural experiment stations.

The issue is not to increase federal funds for biotechnology for the sake of science. The private and public sectors are already investing heavily in this area. The issue is the lack of an adequate biotechnology base in our time-honored agriculture research establishments - ARS and CSRS.

These institutions link food and producers to the scientist. In addition, agricultural science is the foundation for food, agricultural, and environmental regulations. USDA must be the lead agency in developing a solid science base in biogenetic products which increases the producers competitive edge in world trade and provides consumers with safe, nutritious low-cost food which does not destroy our natural resource base.

We must stimulate affiliations of state agricultural experiment station scientists with basic scientists in other land-grant university departments and well-known non-land-grant universities. Colleges such as the University of Illinois, Cornell University, and The Ohio State University, should receive funds which support collaborative biotechnology centers across department and college boundaries. The field plots and barns of schools, such as the University of Connecticut, should be linked through a grant to the gene-splicing laboratories of Harvard University to accelerate biogenetic product development.

Funds should be awarded competitively to SAES which submit proposals for collaborative cross-campus or multi-institutional research. Congress authorized the Competitive Grants Program to award mission-oriented basic research grants, for periods not to exceed five years to qualified scientists associated with land-grant colleges and universities, federal agencies, private organizations and corporations. If Congress appropriates funds for a biotechnology competitive grants program, we recommend that USDA be directed to restrict grant proposals to the conduct of cooperative research of basic scientists with experiment station researchers.

Under the authority of the Special Grants Program (section 2(c)(1) of the Act of August 4, 1965, P.L. 89-106, as amended (7 USC 450 i(c)(1)), USDA awards grants on a competitive basis for projects which provide "fundamental and innovative approaches ...for resolution of... problem areas" (Federal Register, January 9, 1984, p. 1160), to state agricultural experiment stations and to all college and universities having a demonstrable capacity in food and agricultural research. Alternatively, if Congress appropriates funds for a biotechnology special grants program, we recommend that USDA be directed to restrict grant proposals to linking SAES with strong basic science institutions for commodity-independent research focused on commercially produced food and fiber products. Funds should be awarded on a competitive basis identical to the Integrated Pest Management Program.

In addition to focusing on the funding mechanism, Congress must provide ample funds to insure anticipated results. Research is risky business. Not all projects, regardless of whether the focus is frontier science or maintenance research are successful. In Search of Excellence reminds us that if one new project is launched, the odds for succeeding are only ten percent. When ten projects are launched, the laws of probability suggest that the potential for success of at least one project is 65 percent. Funding 25 projects will increase the odds of one successful project to 90 percent, with the additional benefit of a second project succeeding at 75 percent.

That is why we recommend awarding \$75 million in grants of \$500,000 to \$1.5 million per project for 3 to 5 year periods. We believe this is a small investment that is essential to produce technological advances needed by American agriculture--an industry which accounts for one-fifth of the gross national product, one-fifth of U.S. employment, and one-fifth of foreign exchange. This is a small price to pay for maintaining a preeminence of our agriculture.

EXPERIMENT STATION COMMITTEE ON POLICY

STATEMENT OF DR. DURWARD F. BATEMAN, CHAIRMAN

My name is Durward F. Bateman. I am Director of the North Carolina Agricultural Research Service (Agricultural Experiment Station) and Associate Dean of the School of Agriculture and Life Sciences at North Carolina State University. I am also Chairman of the Budget Subcommittee of the Experiment Station Committee on Policy (ESCOP) for FY'85, and it is in this capacity that I submit to you comments on the President's FY'85 budget for the CSRS portion of the Science and Education budget of the USDA.

The Experiment Station Directors are concerned that we maintain and enhance our agricultural research capacity to meet both the short and long range needs of our nation's agriculture. Improved efficiency in the production, processing and marketing of food and fiber contributes to domestic prosperity and to the maintenance of the U. S. share of world markets. We must, in fact, do more than maintain current markets if American agriculture is to reach the full potential of its role in our economy. The keys to a more prosperous future for agriculture can be found in the sciences that undergird agriculture, and in the development and application of new technologies that result in more efficient production and marketing systems.

The State Agricultural Experiment Stations have played and will continue to play a crucial role in the agricultural success story of this nation. The Experiment Stations are located where the problems are, where they can respond rapidly to local, regional and national needs. The CSRS portion of the USDA budget constitutes the Federal portion of the Federal/State partnership in the public agricultural research arena. The authorizations involved include: the Hatch Act, the McIntire-Stennis Cooperative Forestry Act, the Evans-Allen Program (Section 1445, P.L. 95-113), Animal Health and Disease (Section 1433, P.L. 95-113), Special Research Grants (P.L. 89-106) and the Competitive Grants Program (P.L. 89-106). The continued funding of these authorizations is critical to the research efforts of the State Agricultural Experiment Stations and affiliated programs in Schools of Veterinary Medicine, Forestry, and Home Economics, as well as the Evans-Allen Institutions.

Before commenting specifically on the funding of the Formula and Grants authorizations, let me indicate to you the program areas where the State Agricultural Experiment Stations feel that major research emphasis is needed as we look to the future. These include: 1) fundamental science with emphasis on the areas of biotechnology and bioregulation, 2) preservation and enhance-

ment of our production potential with emphasis on soil and water conservation, 3) optimization of resource utilization and technology deployment in our food and fiber production and marketing systems, 4) international market analysis coordinated with research directed at products targeted for specific foreign markets, and 5) human nutrition with efforts aimed at a better understanding of the bioavailability of nutrients and nutrient requirements of humans throughout the life cycle. You will note that these areas of research emphasis formulated by State Experiment Station Directors in 1982 are very similar to the recommendations recently put forth by such groups as the Users Advisory Board, the Joint Council and other bodies looking at research priorities. The agreement among these groups reflects the general consensus that these areas hold the greatest potential for payoff in terms of investment of research funds.

Now, let me turn to the President's FY'85 budget and specifically to the formula programs. We were pleased to see the proposed 2% increase for Hatch and Evans-Allen programs. At the same time, however, we were greatly concerned to see the reduction in the McIntire-Stennis Cooperative Forestry Program and the complete deletion of the Animal Health and Disease (1433) funds. We recommend restoration of the deletions and a 6% increase in all four formula programs over the FY'84 continuing resolution.

We have several reasons for urging consideration of these recommendations. These formula programs constitute a portion of the base funding of the State Experiment Stations and the affiliated research programs in our Land Grant Universities. These research programs have played a key role in the success of U. S. agriculture to date, and they constitute a significant portion of the resources this nation has to apply to the future development of an even more efficient agriculture. If the Congress permits erosion of the base formula funding, then 1) the states lose continuity with respect to the long range programs essential for agricultural progress; 2) they lose the flexibility to respond to urgent needs as they emerge at every level of this essential decentralized system; and 3) they lose the ability to complement and extend federal appropriations with external funds. These formula funds are used at many institutions to pay salaries of permanent personnel, and increases are necessary in order to meet salary adjustments in the various states and maintain a critical mass of scientific expertise. If these modest increases are not granted, then many states will have to reduce program efforts. Funding of salaries for permanent personnel through grants is not

a desirable alternative; it leads to lack of program continuity and to inefficiency in staffing.

Let me make a further point about the Animal Health and Disease (1433) funding. For the past several years this item has been deleted in the Administration's proposed budgets, and the year-to-year uncertainty of these funds for basic animal health work has, in reality, made them less useful than they could have been had program continuity been assured. This funding needs to be substantially increased and made a permanent allocation so that the Experiment Stations and the Veterinary Schools have a permanent base budget to support this important area of research.

The Special Grants portion of the CSRS budget was reduced from \$25,234,000 in FY'84 to \$15,482,000 in the FY'85 Administration recommendations. These Special Grants are intended to catalyze needed research in targeted areas and to meet special needs. The ESCOP and State Agricultural Experiment Station Directors strongly recommend the restoration of funding in this portion of the budget for soybean research and for integrated pest management. The needs in these two programs are continuing and the progress being made would be interrupted. The IPM work to date has been very successful in optimizing technology use in agricultural production. It serves as the prototype for future integrated cropping systems research. Also, in this area of Special Grants we are requesting a reinstatement of a modest grants program in the area of biological control of pests, and the initiation of a program for integrated reproduction management. Both of these programs are needed to spur research with high potential payoff.

I want to express how pleased we are with the Administration's recommendations for the Competitive Grants Program. The Animal Science program for \$4.5 M has long been needed in the animal agriculture research community. The new Biotechnology program with recommended funding of \$28.5 M has its origins in the Division of Agriculture Biotechnology Committee of the Land Grant Association and it has the full support of ESCOP. Further, this initiative has received exceptional endorsement by the scientific community. In view of the potential for biotechnology to advance both plant and animal agriculture, this new program is very timely. We consider it appropriate to place this program in the USDA budget which will help insure that the research supported will have an agricultural focus. We recommend that every effort be made to keep the proposed funding for this biotechnology effort in agriculture intact.

As you know, the USDA Competitive Grants program is open to the entire scientific community with capacity to carry out research in the prescribed areas and that funding of proposals is based on merit as judged by peer review. This mechanism will allow the best scientists in our nation to direct their efforts to solving problems relevant to advancing agriculture. I am satisfied that we will find that scientists in the State Agricultural Experiment Stations will be keen, effective competitors for these funds.

We feel that the President's FY'85 budget recommendations, when coupled with the ESCOP recommended adjustments, represent a needed balance between formula and competitive grants funding to aid the research efforts most relevant to maintaining and advancing our competitive position in agriculture. The recommendations I have placed before you also represent a balance that will sustain work aimed both at the short and long term needs of agriculture. Further, these recommendations have the broad support of the Experiment Station Directors.

In closing, let me express appreciation for the past interest of the Congress in the programs of the State Agricultural Experiment Stations. Our programs have been and will continue to be directed toward helping farmers and the other segments of agriculture increase efficiency.

Our suggested figures for the FY'85 CSRS budget are submitted to you along with these written comments. I want to thank the Committee for its interest in agricultural research. The requests that I have placed before you represent a modest investment that will, over time, have significant positive impacts upon our economy and the general welfare of our people. I am confident that upon consideration of these requests you will find them to be worthy.

FY'85 ESCOP BUDGET RECOMMENDATIONS FOR CSRS

(In Thousands of Dollars)

	FY'84	FY'85 Executive Budget	FY'85 ESCOP Recommendations
<u>Cooperative State Research Service</u>			
<u>Formula Programs</u>			
Hatch	\$152,281	\$155,326	\$161,418
McIntire-Stennis	12,702	12,452	13,462
1890 Research	22,844	23,300	24,213
1890 Facilities	10,000	10,000	10,000
Animal Health & Disease, Sec. 1433	5,760	--	6,105
Alcohol Fuels Research	540	--	--
Native Latex	702	--	--
Federal Administration	592	225	592
Total	\$205,421	\$201,303	\$215,790
<u>Special Grants Programs</u>			
Soil Erosion In Pacific NW	\$ 622	--	NA*
Dried Bean Research, ND	25	--	NA
Food & Agriculture Policies	156	--	NA
Soybean Research	518	--	518
Integrated Pest Management	3,091	--	3,091
Biological Control of Pests	--	--	480
Pesticide Clearance	1,440	1,440	1,440
Minor Use Animal Drugs	240	240	240
Pesticide Impact Assessment	2,069	2,069	2,069
Rural Development Centers	311	--	NA
Soybean Cyst Nematode, MO	300	--	NA
Bean & Beet Research, MI	97	--	NA
Animal Health Research	7,156	7,156	7,156
Aquaculture, Stoneville, MS	270	--	NA
Dairy Photoperiod Research, MI	35	--	NA
Bean Flour Research, TX/MI	80	--	NA
Aquaculture Research	518	--	518
Antidesertification Research	--	--	NA
Germplasm Resources Research	902	902	902
Peach Tree Short Life, SC	192	--	NA
Blueberry Shoestring Virus, MI	96	--	NA
Food Quality & Safety Research	384	--	NA
Mosquito Research	480	--	NA
TCK Smut (Wheat)	361	--	NA
Sunflower Midge, ND	150	--	NA
Tropical & Subtropical Research	2,980	2,980	2,980
Dairy Goat Research, TX	100	--	NA
Acid Precipitation	695	695	695
Sugarland Use Research, NA	150	--	NA
Integrated Production Systems, OK	200	--	NA
Agronomic & Hort. Studies, OK	50	--	NA
Potato Research	400	--	NA
Biomass Energy Research, OR	600	--	NA
Asparagus Yield Decline	100	--	NA
Biocontrol of Grasshoppers	50	--	NA
Ag Policy Institute (Mo.)	450	--	NA
Integrated Repro. Management	--	--	1,000
Wool Research, TX	150	--	NA
Total	\$ 25,418	\$ 15,482	\$ 21,089
<u>Competitive Grants Programs</u>			
Plant Sciences	\$ 15,000	\$ 15,000	\$ 15,000
Human Nutrition	2,000	2,000	2,000
Animal Science	--	4,500	4,500
Biotechnology	--	28,500	28,500
Total**	\$ 17,000	\$ 30,000	\$ 50,000
GRAND TOTAL	\$247,839	\$266,785	\$286,879

*NA = No Action.

**Special Grants total does not include certain minor expenses.

NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

STATEMENT OF DR. J.E. LEGATES, CHAIRMAN, DIVISION OF AGRICULTURE

- * Full funding of the new competitive grant initiatives -- \$28.5 million for biotechnology and \$4.5 million for animal science.
- * Hatch funding of \$161.4 million -- an increase of 6.1 million over the Executive request
- * Smith-Lever b/c funding of \$249.1 million -- an increase of \$7.6 million over the Executive request.
- * McIntire-Stennis funding of \$13.5 million -- a restoration of \$250,000 plus an increase of \$1 million over FY 84.
- * Animal Health Research, Sec. 1433 funding of \$6.1 million -- a restoration of \$5.8 million and an increase of \$345,000 over FY 84.
- * Restoration of \$38.8 million of Smith-Lever 3d funds including: EFNEP, \$25.5 million; IPM, \$7.5 million; Pesticide assessment, \$1.7 million; Farm Safety, \$1 million; and Urban Gardening, \$3 million.
- * Restoration of \$4.6 of the special grants programs under P.L. 89 - 106 including: \$518,000, soybean research; \$3.1 million, IPM; \$480,000, biological control of pesticides; and, \$518,000, aquaculture.
- * Renewable Resources Extension funding of \$4 million -- restoration of \$2 million and an increase of \$2 million over FY 1984.
- * Graduate Fellowship funding of \$10 million -- a restoration of \$5 million and an increase of \$5 million from FY 84.
- * 1890 Research funding of \$24.2 million.
- * 1890 Extension funding of \$19.7 million.
- * \$6 million of new initiatives including \$3 million for integrated reproductive management extension, \$1 million for integrated reproductive management research, and \$2 million for extension federal/regional initiatives.

Mr. Chairman and members of the Subcommittee, I am J. E. Legates, Dean of Agriculture and Life Sciences at North Carolina State University at Raleigh, North Carolina. I serve as Chairman of the FY 1985 Budget Committee which represents the agricultural research, extension and teaching concerns of the Division of Agriculture of the National Association of State Universities and Land-Grant Colleges. The other committee members are:

Dr. Durward F. Batemen, Director, Agricultural Research Service, North Carolina State University

Dr. Talmadge DuVall, Director, Cooperative Extension Service, University of Georgia

Dr. Gerald L. Zachariah, Dean, Resident Instruction, IFAS, University of Florida

Dr. Mason C. Carter, Head, Department of Forestry and Natural Resources, Purdue University

Dr. Betty Hodgkins-Fairchild, Assistant Director, Home Economics and Related Programs, Louisiana Cooperative Extension Service

Dr. William N. Thompson, Director of International Agriculture, University of Illinois

Dr. Gilbert Tampons, 1890 Extension Administrator, Langston University, Oklahoma

Dr. Terrence C. Curtin, Dean, School of Veterinary Medicine, North Carolina State University

Dr. W. L. Peters, Research Coordinator, Florida A&M University, Tallahassee was our 1890 Research Representative.

We are pleased to present the budget requests for the Division of Agriculture for support of the Federal-State partnership in our cooperative endeavors with the Agricultural Experiment Stations, the Cooperative Extension Services and Resident Instruction programs at our Land-Grant Universities. On behalf of the researchers, teachers, extension specialists, county agents, administrators and the citizens of this land whom we seek to serve and represent, I want to express our gratitude for your keen understanding and for your strong and sustained support of our institutions in building and maintaining an efficient and productive agriculture and food industry. Through your encouragement and generous support our professionals have been able to teach and train new leaders, to develop the scientific and technical information, and to demonstrate the usefulness of these findings for a dynamic agriculture which is responsive to national and world-wide challenges.

My brief statement is an overview of our recommendations. Other panel members have prepared written statements relative to the requests and concerns in their specific areas. These are attached.

In reviewing the agricultural progress of the last century, our Federal-State partnership for agricultural science is the key. The partnership was forged by 1862 by the Morrill Act which established our Land-Grant Colleges. The Hatch Act of 1887, passed to establish experiment stations in the respective states, enhanced the partnership and resulted from the initiative of the then Secretary of Agriculture and the Presidents of Land-Grant Colleges, the Cooperative Extension Service established with the passage of the Smith-Lever Act in 1914 completed these joint initiatives.

"The partnership between the Federal Government and the States... has been eminently successful. Cooperative research, extension, and teaching programs have provided the United States with the most productive and efficient food producing system in the world". (Title XIV, Agriculture and Food Act of 1981). This productive partnership now must be vigorously affirmed and strengthened to undergird a dynamic agricultural and food system to match future challenges.

Research is an essential and continuing responsibility in our harnessing science for agriculture. We are able to provide the abundance of food and fiber to which we have become accustomed because of the technology our agricultural system has utilized and must continue to draw upon. High technology agriculture requires continuing research merely to maintain current efficiencies. New agricultural chemicals must be developed when disease pathogens, insects and weeds become resistant or tolerant to existing chemicals. Our population growth continues to place heavy demands on our soil, water and air.

Much research effort will be required to determine optimum combinations of technology in the systems approach. This need is a part of every research and development system. Development of improved cultivars requires optimum genetic combinations for high yield, insect resistance, disease resistance, drought tolerance and fruit or grain quality. Integrated pest management and integrated reproductive management are visible and recognized examples of the need for optimization of the available technology in an integrated way.

STATEMENT OF DURWARD F. BATEMAN, CHAIRMAN, EXPERIMENT STATION COMMITTEE ON
POLICY

The Experiment Station Directors are concerned that we maintain and enhance our agricultural research capacity to meet both the short and long range needs of our nation's agriculture. Improved efficiency in the production, processing and marketing of food and fiber contributes to domestic prosperity and to the maintenance of the U.S. share of world markets. We must, in fact, do more than maintain current markets if American agriculture is to reach the full potential of its role in our economy. The keys to a more prosperous future for agriculture can be found in the Sciences that undergird agriculture, and in the development and application of new technologies that result in more efficient production and marketing systems.

The State Agricultural Experiment Stations have played and will continue to play a crucial role in the agricultural success story of this nation. The Experiment Stations are located where the problems are, where they can respond rapidly to local, regional and national needs. The CSRS portion of the USDA budget constitutes the Federal portion of the Federal/State partnership in the public agricultural research arena. The authorizations involved include: the hatch Act, the McIntire-Stennis Cooperative Forestry Act, the Evans-Allen program (Section 1445, P.L. 95-113), Animal Health and Disease (Section 1433, P.L. 95-113), Special Research Grants (P.L. 89-106) and the Competitive Grants Program (P.L. 89-106). The continued funding of these authorizations is critical to the research efforts of the State Agricultural Experiment Stations and affiliated programs in Schools of Veterinary Medicine, Forestry, and Home Economics, as well as the Evans-Allen institutions.

Before commenting specifically on the funding of the Formula and Grants authorizations, let me indicate to you the program areas where the State Agricultural Experiment Stations feel that major research emphasis is needed as we look to the future. These include: 1) fundamental science with emphasis on the areas of biotechnology and bioregulation, 2) preservation and enhancement of our production potential with emphasis on soil and water conservation, 3) optimization of resource utilization and technology deployment in our food and fiber production and marketing systems, 4) international market analysis coordinated with research directed at products targeted for specific foreign markets, and 5) human nutrition with efforts aimed at a better understanding of the bioavailability of nutrients and nutrient requirements of humans throughout the life cycle. You will note that these areas of research emphasis formulated by State Experiment Station Directors in 1982 are very similar to the recommendations recently put forth by such groups as the Users Advisory Board, the Joint Council and other bodies looking at research priorities. The agreement among these groups reflects the general consensus that these areas hold the greatest potential for payoff in terms of investment of research funds.

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We have several reasons for urging consideration of these recommendations. These formula programs constitute a portion of the base funding of the State Experiment Stations and the affiliated research programs in our Land Grant Universities. These research programs have played a key role in the success of U.S. agriculture to date, and they constitute a significant portion of the resources this nation has to apply to the future development of an even more efficient agriculture. If the Congress permits erosion of the base formula funding, then 1) the states lose continuity with respect to the long range programs essential for agricultural progress; 2) they lose the flexibility to respond to urgent needs as they emerge at every level of this essential decentralized system; and 3) they lose the ability to complement and extend

federal appropriations with external funds. These formula funds are used at many institutions to pay salaries of permanent personnel, and increases are necessary in order to meet salary adjustments in the various states and maintain a critical mass of scientific expertise. If these modest increases are not granted, then many states will have to reduce program efforts. Funding of salaries for permanent personnel through grants is not a desirable alternative; it leads to lack of program continuity and to inefficiency in staffing.

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In closing, let me express appreciation for the past interest of the Congress in the programs of the State Agricultural Experiment Stations. Our

programs have been and will continue to be directed toward helping farmers and the other segments of agriculture increase efficiency.

Our suggested figures for the FY'85 CSRS budget are submitted to you at this time along with a copy of my written comments. I want to thank you and the Committee for your interest. The requests that I have placed before you today represent a modest investment that will, over time, have significant positive impacts upon our economy and the general welfare of our people. Mr. Chairman, I am confident that upon consideration of these requests you will find them to be worthy.

STATEMENT OF TAL C. DUVALL, CHAIRMAN, EXTENSION COMMITTEE ON POLICY

The basic mission of The Cooperative Extension Service is to improve American agriculture and to strengthen American families and communities through the dissemination and application of research-generated knowledge and leadership techniques. The transfer of new technology into usable and easily applicable information in our agricultural community continues to be a primary reason for Extension's existence.

With the continuing pressure to severely reduce or eliminate increasing numbers of publicly supported domestic programs in an effort to check budget deficits, Cooperative Extension and its growing corp of volunteers are being engulfed by a tremendous barrage of requests for people needing assistance. Increasing numbers of farmers and families are demanding even more assistance with basic needs such as financial management.

RECOMMENDED MODIFICATIONS TO FY 85 EXECUTIVE BUDGET

A - SMITH-LEVER 3(b) AND 3(c) (+\$10,020,000)

A seven percent increase in Smith-Lever 3(b) and 3(c) formula funds is proposed. The funds appropriated to the Cooperative Extension Service in this category are essential to the basic congressional mandate of the Smith-Lever legislation. This level of increase in base category funding is needed to enable the continuation of vital programming in such areas as agricultural production and marketing, family financial management, youth development, and local government assistance.

The current agricultural economic conditions and the chaotic farm commodity pricing structure demand a greatly intensified educational effort in basic farm and family financial management. Also, additional funding is necessary if the Extension Services of the various States are to effectively meet the demands of new technological developments. The micro-computer and other electronic communications and management tools can significantly enhance Extension efforts in farm and family managerial proficiency.

It should be noted that the various states have made substantial reallocations of personnel and program resources to capitalize on these technological developments. However, most of these reallocations have been made with newly acquired state, county and private funds. These funds are simply not adequate to maintain basic programming while also equipping and training Extension personnel in new and expanded technological initiatives.

In addition, the new funds proposed in the 3(b) and 3(c) category will also provide the capability for expanded educational efforts in helping farmers and other landowners in coping with serious and growing problems of soil and water resource management.

This recommendation is an increase of only \$7.6 million over the Executive Budget proposed.

B - RESTORATIONS TO INSURE MAINTENANCE OF CRITICAL SPECIAL PROGRAMS (+\$38,800,000)

The 3d funds are distributed to states to address specific programs aimed at critical problems and/or unique opportunities. The funding formula for each program is based upon the extent of the problem and/or the opportunity within each state. The effectiveness of these targeted programs is well documented and continuation is essential if Extension is to effectively respond to these critical congressionally identified needs.

1 - EFNEP (+\$25,533,000)

Restoration of the food and nutrition educational line item to the FY 84 level is essential if the Extension Service is to continue its efforts in teaching families and individuals self-reliance through proper nutritional habits. With the decline in many direct support food assistance programs, nutrition education assistance is absolutely critical to insure proper nutrition and overall family stability.

2 - Integrated Pest Management (+\$7,531,000)

The Integrated Pest Management Program (IPM) appropriation supports an array of projects targeted to the unique needs of each state. Continuing major concerns about water quality, environmental impact, and farm production costs are dictating new integrated systems approaches to pest management. The elimination of these programs would seriously limit the Extension Service capability in relating to these mounting problems.

3 - Pesticide Assessment (+\$1,716,000)

Since chemicals continue to be an important suppression tool, continued evaluation of materials being used for suppression is essential to the protection of America's food and fiber products.

In addition, these funds are critical to the ability of the Extension Service to respond to such sensitive issues as the concerns expressed recently over the EDB question.

4 - Farm Safety (+\$1,020,000)

Linked with effective use of chemicals are the educational efforts addressing safe use and handling of chemicals. Misuse of agricultural chemicals and farm equipment represent major causes of lost time and personal injury accidents. The problem can be reduced through ongoing education programs.

5 - Urban Gardening (+\$3,000,000)

A rapidly growing segment of our population lacks an understanding of the inputs and risks associated with the production of food and fiber. This program provides urban youth and adults with the opportunity to grow plants for food and environmental improvement. Their application of agricultural sciences in food production, which draws upon the knowledge of the university, has contributed to general improvement in the

diets of the gardeners, enhanced community cooperation, and widespread personal satisfaction for the participants.

6 - Renewable Resources Extension (+\$4,000,000)

The program to improve productivity of the privately owned forest and range lands would be increased \$2 million. The added funding would support development of an accelerated program in the 50 states and the territories. Under current management, the forest, range, and wildlife resources under private ownership are yielding far less than their potential. With accelerated use of existing technology, the profitability of the resources can be increased and the growing demands upon renewable resources will be met.

7 - Integrated Reproductive Management (+\$3,000,000)

The current reproductive levels of our food animals offer an opportunity for marked improvement. Through a concerned educational program integrating a wide array of scientific disciplines, the number of beef calves weaned could be substantially increased, calving intervals in dairy cows reduced, and the number of eggs per hen raised significantly.

8 - New Federal Initiatives (+\$2,000,000)

The evolving problems and concerns of people served by the Cooperative Extension program demand the development of new programs. In recent years, the state Extension Services have been cognizant of emerging regional problems. To enable states to effectively address the problems common to several states or a region and to encourage innovative programs, a small special fund is proposed. Technology is one area in which this program can be employed. Creative use of technology can help the food and fiber industry capitalize on opportunities for increased productivity, greater efficiency, and added profitability while supplying goods at a reasonable cost.

STATEMENT OF GERALD L. ZACHARIAH, CHAIRMAN, RESIDENT INSTRUCTION COMMITTEE ON POLICY

America's agriculture and food system is seriously threatened by impending shortages of qualified scientists, managers and other agricultural professionals. Insufficient numbers of capable students are entering advanced degree programs in basic agricultural sciences.

A 1980 USDA study predicted an annual shortfall of 13 percent of qualified graduates needed to fill critical positions in agriculture with the shortfall ranging as high as 30 percent in some disciplines. The area of greatest need is for graduates with advanced degrees, especially doctoral degrees. Enrollments have continued to decrease, further compounding the problem.

The problem is worsened by a disproportionately large percentage of existing University faculty being employed shortly after WWII and these individuals are reaching retirement age as a group at this time. Replacements for these faculty, along with scientists trained at the graduate level needed by USDA and industry, are not in the educational pipeline in sufficient numbers to avoid critical shortages.

The development and application of technology has been responsible for the exceptional increase in agricultural production experienced in the U.S. This has led to low food prices in this country and our ability to provide large quantities of food to other countries. This highly efficient and competitive

food production system cannot be maintained without the continued influx of technology provided by well trained agricultural scientists.

The critical nature of the shortage of agricultural scientists, managers, technologists and educators was recognized by the Joint Council and scientific expertise development was identified as the second national priority in their FY 1985 priority list.

Competitive graduate fellowships to attract highly qualified students to be educated for careers in agriculture is the highest budgetary need for higher education in agriculture. In 1984, \$5 million dollars was provided by Congress for graduate fellowships. Continuation of this level of funding is essential to allow students started under this program to complete their degrees. An additional \$5 million is requested for 1985 to increase the number of students in the second year to reach 650-700 students as proposed in the higher education plan. Critical areas to be targeted are: agricultural engineering, plant and animal genetics, soil and water sciences, agricultural economics, animal reproduction, food science, human nutrition and animal health.

Rapidly changing technology has outpaced the ability of instruction program to adjust. Strengthening grants are needed to provide support for curricular changes and faculty updating. A comprehensive program is needed to assist both Land-Grant and non Land-Grant agricultural colleges and universities in making this adjustment. However, the 1985 budget request is limited to \$2 million specifically directed to the historically black Land-Grant colleges, Tuskegee Institute and the District of Columbia.

The Morrill-Nelson program has provided important support to agricultural education programs and continuation is strongly supported.

Personnel properly trained at the graduate level are the foundation of successful education and research programs at universities, in government agencies and in industry. It is imperative that more students be attracted to pursue careers in agriculture if we are to continue essential technological advancements. Competitive graduate fellowships are vital component of programs to meet this objective.

STATEMENT OF MASON CARTER, COMMITTEE ON FORESTRY

My name is Mason Carter. I am Chairman of the Department of Forestry and Natural Resource at Purdue University. I would like to express our gratitude for your understanding and sustained support and I offer this statement on behalf of The National Association of Professional Forestry Schools and Colleges (NAPFSC). We represent the forestry programs at the State Colleges and Universities that participate in the McIntire-Stennis Cooperative Forestry Research and the Renewable Resources Extension programs.

Although our nation has been enjoying a recent recovery from a severe recession, all segments of our industrial complex have not emerged with equal vigor. Basic industries continue to fight for survival. Foreign competition, through the use of highly advanced technology, has already captured a major share of our market and put thousands of americans out of work.

The forest products industry has been fortunate to participate in the recovery. Housing starts have been higher than expected and paper markets have been growing. However, in last year 30% of the lumber and panel products used by the U.S. housing industry were imported from Canada. This high level of importation was not due to a shortage of forest production in the United States, but rather from more efficient production, harvesting, processing, and transportation systems. The

forest products industry has failed to invest in developing new technology that is required to increase productivity and efficiency.

This situation is clearly preventable. In fact, a recent report to Congress from the Office of Technology assessment states that "... the United States is well positioned to satisfy both domestic and a major share of future global forest product requirements". But to achieve this potential we must develop and apply an advanced technology in the management of our forest and related resources and improve the efficiency.

It is important to understand the economic importance of the forest products industry to properly gauge the relative size of our current investments in research and technology implementation. This industry employs 1,745,000 people or 9% of all people employed in manufacturing. This contributes \$62 billion annually to the U.S. economy, which is 7.5% of the total.

It would be misleading to evaluate the forest products industry in the way other industries such as steel, chemicals and automotive are evaluated. This major sector of our economy is composed of a few large corporations but more than twenty companies are engaged as basic manufacturers of pulp and paper and literally thousands of small, medium and large sawmills, veneer mills, plywood, particleboard manufacturers making this enormous contribution. As a result of the diversity of the industry significant independent action to develop new technology is difficult. The problems are also diverse, we have prohibitive logging costs on the west coast, regeneration failures in the south, and vast quantities of unmerchantable species throughout the east. In our central states, the fine hardwood species, for which we are famous, are rapidly disappearing. And yet if the forest products industry does not develop significant new technology, this nation will miss an opportunity to capture an increased share of the domestic and world market. At worst, we could lose the markets we now have.

For these reasons I wish to urge your support of our request to increase the funding for the McIntire-Stennis Cooperative Forestry Research program to a level of \$13.5 million. We also strongly support the President's request to add \$28.5 million for basic research in biotechnology. Our forest resources as well as our agricultural resources have enormous potential for advancement through the development and application of biotechnology.

Research cannot benefit industry or society unless it is properly and adequately applied. Research application in forestry and related resources has not kept pace with that in agriculture because we have not had adequate resources for extension programs in renewable resources. Inadequate technology transfer not only results in a failure to capture a return from investments in research, but it also results in disenchantment and reduced incentive for additional research. Therefore, I urge you to favorably consider our request to fund the Renewable Resources Extension Act program at \$4 million.

To carry out a continuing program of research and technology transfer we must continue to attract and train new forest resource scientists. Thus, we strongly support an appropriation of \$10 million for Higher Education through Competitive Graduate Fellowships.

The Federal role in fundamental science and in the application of emerging technologies continues to be recognized in most agencies of the federal government. The fiscal year 1985 budget proposed an overall research and development increase of 14%, with a 10% increase in funding for fundamental research. These increases are proposed because of the opportunities for scientific advances and to insure that a sufficient cadre of young scientists is being developed to meet future needs.

The National Association of Professional Forestry Schools and Colleges believes the research programs of the U.S. Forest Service meet these criteria and is alarmed by the proposed 6% reduction in the research appropriations for that agency. The proposed reduction will erode the science and technology base that has met the needs of the federal lands, contributed to increased productivity of all forest lands, and developed technological innovations that have stretched the nations timber supply. We urge restoration of the forest service research funding to the FY 1984 level.

STATEMENT OF BETTY HODGKINS-FAIRCHILD, CHAIRMAN, HOME ECONOMICS COMMISSION

Continued support for formula funding and special and competitive grants in areas related to home economics is vital if we are to continue to address the critical needs of America's families. Changing economic conditions compound the problems families are experiencing in managing financial resources. Planning the use of income to attain an adequate level of living for the lifetime of the family is increasingly more difficult and complex. Concentrated educational efforts are necessary to help families spend and invest more effectively.

Of special concern are the farm families who are finding sound financial management increasingly difficult. Other family types (young, single-parent, two-worker, pre-retirement and those now on fixed incomes) have similar problems. Home economics programs need the resources to continue to address problems associated with management of family resources such as the attainment of money, skills and knowledge with which to obtain goods; the selection, use and purchase of consumer goods and services; and effective interaction with the market place as it is affected by government regulation and policy.

Nutrition programs that deal with the health of individuals throughout the life span are critical to the well-being of families all across the nation.

Home Economics research is focusing on developing new information for a better understanding of the role nutrition plays in health maintenance during growth, development and aging. This focus should help decrease health related costs and increase work efficiency and productivity. Efforts to help consumers interpret information relating to food safety need to be maintained.

Eating patterns are constantly changing and are influenced by many factors, including food prices, family income, food advertising and marketing, convenience of preparation, family life styles and ethnic/cultural background. Eating patterns are also influenced by broader issues of energy, the economy and policy decisions on agriculture and food that ultimately determine food supply and prices. Support of formula funding and special grants will ensure continuity in nutrition research and extension nutrition programs that are now an important part of home economics programs nationwide.

Restoration of EFNEP funds is critical to helping low-income families acquire knowledge, skills and changed behavior to improve diets and health. A study by a private research firm indicates that EFNEP has a positive impact on diets and food money management habits of program families. Low-income homemakers enrolled in this program do improve their food and nutrition knowledge, food shopping, management skills and dietary practices. They grow more food at home and save on food expenditures. Since the inception of this program in 1968 more than 2.1 million families and 5.5 million youth have been reached with basic nutrition information. Currently the EFNEP program is operating in 960 sites in cities and counties. States select sites based on percentage of low-income families in a specific geographic area. Even with restoration of EFNEP funds the increased cost of maintaining this base will force some reduction in the number of low-income homemakers that can be reached. This is the only federal program providing comprehensive education in food and nutrition and food resource management for low-income families faced with reduced purchasing power.

Support for the FY 1985 budget as presented by the National Association of State Universities and Land Grant Colleges is essential for guaranteeing the continuation of the positive contributions that Home Economics research, teaching, and extension programs make to the families of this nation.

STATEMENT OF GILBERT R. TAMPKINS, 1890 EXTENSION

Since the establishment of Cooperative Extension Programs at 1890 Colleges and Tuskegee, the partnership between these institutions, the United States Department of Agriculture, and 1862 Institutions has become more defined. More than ever before, Extension at 1890 Colleges and Tuskegee are looked upon as a creditable resource for providing educational and technical assistance to limited resource constituency and facilitating linkage between researchers and users, thus bringing about alterations in the socio-economic conditions of U.S. citizens.

The Congressional charge to Cooperative Extension at 1862 and 1890 Colleges and Tuskegee is to aid in diffusing among the people of the United States useful and practical information on subjects relating to the needs of the Federal Government of the United States has provided funding support for Extension for many years. Some of those years have been good years and some have been lean. However, with factors such as new technological concepts, new knowledge, changes in clientele problems and needs and reduction in economic conditions, the focus and priorities have been reevaluated and modifications are imminent (Refer to Official Reports, "Extension in the 80's" and "Blueprint For the Future"). National support for Extension needs to be reaffirmed to help meet major needs and challenges. Proposed reductions in FY 1985 funding will cause an adjustment in major program thrusts. Further examination of the needs of limited resource people in the United States indicates that propelled educational initiatives should be instituted for small farm operations, youths, single parent families, the elderly and certain families living below the poverty guidelines.

Small Farms

Improved technologies and management systems in agriculture for these farmers will help efficiency in production, marketing, and improve the use of financial, human and natural resources. People who farm small acreages are particularly in need of training which will aid them in assessing, classifying, evaluating and adopting new trends to reduce or eliminate undesirable decisions or practices. Conservation practices also need added emphasis. While energy is available it will continue to be expensive.

Since water shortages are showing up in some southern states, small farmers need information on crops that are suited for dry land. Information is needed on new farming techniques such as subsurface till, minimum tillage and no till. Where the economy is high and acreages low, additional emphasis would be directed toward high value crops, particularly vegetables and fruits.

Consumer Education

Recent reports indicate living arrangements by the population have changed to include more single-parent families, particularly women. There is also a large number of elderly persons who are likely to have incomes considerable below the median and who are likely to have less time to manage their resources such as time, money and energy. Extension provides accurate, current and unbiased information to help consumers efficiently manage these resources.

Land Retention and Estate Planning

Thousands of acres are lost annually by minority people who are uninformed and provided with little or no assistance for developing manageable land use plans and follow up actions. Further complications involving land retention

arise when these land owners are taken advantage of because of their limited knowledge about estate planning. This program has become one of Extension's highest priority areas in the southern states.

Youth Training and Career Education

Historically, the trend for youths coming from limited resource families has been an uphill struggle. These struggles stem from such factors as economic and social disadvantages. The work force of the next several decades will experience a new dimension of career opportunities. We know that public investment in education can and has enhanced the quality and quantity of human capital. Nothing short of a well designed career development program will help them turn the tide for limited resource youth. Extension continues to invest staff time in this area in order to make life better for youths through career education programs. There are many occupations from which minorities are eliminated. Career awareness programs and cross training opportunities can help change this trend. Reductions proposed for Extension funds would cause us to make very tough choices or even result in the elimination of programs vital to the growth and development of thousands of people who are presently in dire need of these services and are living under excruciating difficulty trying to make ends meet.

Recommended Adjustment to FY 1985 Budget

Basic 6% funding for 1890 Extension as slated in the Farm Bill. These are urgently needed to maintain base support for salaries and in accord with specific program needs to strengthen American families.

STATEMENT OF TERRENCE M. CURTIN, VETERINARY MEDICINE COMMISSION BUDGET REPRESENTATIVE

Animal Health and Disease Research

Cash receipts from U.S. farm marketings of livestock, dairy and poultry during recent years have exceeded, by approximately 5% receipts from all crops. Animal agriculture and its related agribusiness industries are extremely important in our society, both as an economic factor and a source of high quality, wholesome food for domestic and export markets. Livestock, dairy and poultry farmers have repeatedly identified diseases as the greatest problem encountered in their effort to provide food of higher quality and lower cost in relation to consumer income.

When one considers the economic importance of foods and other products of animal origin and that disease syndromes clearly limit their availability to consumers, it becomes evident that adequate federal research funding must be provided to address both fundamental and applied research on a continued basis.

The Food and Agricultural Acts of 1977 (PL 95-113) and 1981 authorized funds for animal health and disease research under Sections 1433 and 1434. However, neither have been included in USDA's base budgets and it has been necessary for Congress to provide funding each year under Section 1433.

Therefore, it is requested that consideration be given and funding provided to the following identified items of the budget as recommended by the National Association of State Universities and Land-Grant Colleges and supported by the Council of Deans, Association of American Veterinary Medical Colleges and the Commission on Veterinary medicine.

1. Section 1433. \$6,105,000

This represents a 6% increase over the \$5,760,000 funded by Congress for FY 1984.

2. Competitive Research Grants. Biotechnology, \$28,500,000.

As a new initiative, biotechnology is included and recommended at \$28,500,000. This is an extremely important addition to the Competitive Grants Research Program. Because it is competitive, it will attract investigators to compete that are on the forefront of their respective disciplines. The impact of these competitive grants will advance knowledge of disease processes and their ultimate control further and faster than otherwise possible.

3. Higher Education. Competitive Graduate Fellowships, \$10,000,000.

A system of replacement of agricultural scientists is an absolute necessity if the U.S. is to meet its own requirement for food and maintain its position of leadership among the nations of the world. Without these fellowship incentives, adequate numbers of scientists will not be forthcoming to meet minimal levels of competence to face the future.

THE EASTERN SOUTH DAKOTA SOIL AND WATER RESEARCH FARM, INC.

STATEMENT OF DALE BRATTEN AND EUGENE BOER

Thank you for the privilege and opportunity to appear before this subcommittee in support of Agricultural Research programs at the Northern Grain Insects Research Laboratory at Brookings, South Dakota, and the North Central Soil Conservation Research Laboratory at Morris, Minnesota.

We represent the Eastern South Dakota Soil and Water Research Farm, Inc., which is owned by 15 Soil and Water Conservation Districts in Eastern South Dakota. As active members of the Board of Directors of this research farm, and as active farmers, we are speaking today for over one-third of the people of South Dakota. We would like at this time to express our appreciation and thanks for the support your committee has given to agriculture in the past.

We are testifying here today in support of agricultural research for several reasons. Nearly everyone recognizes that agriculture is the largest and strongest U.S. industry, that production of food and fiber in this country is also one of this country's largest employers, and that our ability to provide the basic agricultural necessities has been greatly enhanced by research over the past century. We are aware that since the early 1800's one American farm worker produced enough food for four people; it took until 1920 for that figure to double and until 1953 for a single farmer to feed 17 people. Presently, that figure stands at a ratio of 1:75. The ability of the American farmer as an efficient producer is matched nowhere in the world as are the economic benefits from dollars spent on agricultural research. We recognize that much of this production efficiency has stemmed from agricultural research programs by government and private industry. We are concerned that funding for these programs are in jeopardy when television and newspaper articles appear daily regarding reductions in government spending. National and local news media continue to point out that the Federal Budget calls for cuts in nearly all functions but Defense. We believe that it is imperative that funds for agricultural research should be increased, not cut in the coming years.

- Farming practices will be changing over the next several decades. Part of this change will result from farmers concerned for their land, their most valuable resource. Changes, such as reduced tillage, are already occurring that assist farmers in reducing erosion. Reducing erosion not only preserves our land but improves the quality of life and recreation for the non-farming community. However, as a result of these changes, new farming problems develop. Articles in local farm magazines predict that additional pest problems will occur. Presently, 35% of agricultural production is lost due to pests. We believe that as farming practices change research can significantly trim this figure resulting in a more stable agricultural economy. Production losses not only erode our profits but are also costly to consumers. Research programs at the laboratories at Brookings, South Dakota, and Morris, Minnesota, are both directed toward assisting us in increasing agricultural efficiency and soil and water conservation. We urge this committee to consider full staffing at both of these laboratories. During these economic times, we are not encouraged when new facilities are being planned or constructed when existing laboratories such as these are not being fully utilized. Both of these laboratories currently are conducting research programs at our farm located near Madison, South Dakota, that emphasize crop residue management, erosion-productivity relationships, nutrient recycling, and the interaction of cropping practices and insect pests, primarily the corn rootworm, and how these pests affect our production systems.

Full staffing of these laboratories will help these labs attain their research goals which will impact all major crop producing states in the Midwest and also improve stability of American Agriculture. As representatives of our association representing agricultural interests of the people of South Dakota, we urge that you consider these requests.

NATIONAL SOYBEAN CROP IMPROVEMENT COUNCIL AND THE NATIONAL SOYBEAN PROCESSORS
ASSOCIATION

STATEMENT OF ROBERT W. JUDD, MANAGING DIRECTOR OF THE NATIONAL SOYBEAN CROP
IMPROVEMENT COUNCIL

Agricultural research directly benefits all food and fiber consumers, especially those persons with low incomes. Agricultural industries and our import-export balance of payments all fare better when costs of food and fiber per unit produced are lowered. Therefore, agricultural research funding improves the economic welfare of individuals, businesses and our nation.

The proposed increase in Hatch funds in the Executive Budget is minimal for the Federal commitment through CSRS to provide continuity and flexibility needed for long term research programs.

The Special Research Grants of \$518,000 and \$300,000 designated for soybeans in the CSRS allocations have been very useful. We regret the proposed elimination of these funds which have helped scientists across the country solve soybean production problems. Our farmers must keep competitive with producers in other countries.

The proposed new category of Biotechnology for FY 1985 funding in the amount of \$28.5 million is commendable. Soybean producers will eventually benefit, as will all our citizens, from scientific effort in this area of research. However, it is only a part of the whole system. The new scientific knowledge must finally be integrated into traditional plant breeders programs for progress to be realized. Biotechnology will not replace ongoing programs but should add to their productivity.

The Executive Budget contains a very minimal increase for the Agricultural Research Service. It hardly meets the increased cost of living. However, the pressure for financial constraints must be faced.

We approve the new ARS thrust to have more effective national research programs. Research program leaders must be given major responsibilities for resource allocations, personnel and funds, if national leadership is to be effective.

We also approve the ARS redirections in research programs. Certainly there are differences on the subject but they really are directed more to timing and methods than to program substance.

The proposed small increase for the Extension Service in Smith-Lever 3b and 3c funding is at least a start in the right direction. The overall reduction in their budget is not.

We believe the whole agricultural Research-Extension-Teaching community is willing to accept temporary funding restrictions during this period while national income and expenditures are being brought into balance. We know it will curtail agricultural efficiency. You have a tough job. Thanks for supporting agriculture as well as you have.

AMERICAN SOYBEAN ASSOCIATION

STATEMENT SUMMARY

AGRICULTURAL RESEARCH

Cooperative State Research Service/Extension Programs: Soybean farmers maintain strong local contact with state experiment stations partially funded with Hatch formula and farmer checkoff funds, which provide vital regional/state research into areas of importance to the soybean farmer. An outstanding example of the results from the use of CSRS and soybean check-off funds is a joint Iowa research program which developed soybean genetic resistance to iron chlorosis, an iron deficiency disease. ASA is concerned with the Administration's proposal to eliminate the important CSRS support for soybean germplasm and plant stress research provided under the FY 1984 special grants program. We urge that the \$518,000 for soybean special grants and the \$300,000 in special grants funding for cyst nematode research be retained. ASA supports a strong Extension Service in commercial agriculture. In addition, we encourage Congress to provide sufficient funds to continue federal Extension emphasis on production techniques to control soil and water erosion. ASA has worked closely with the Extension Service to develop joint farmer education programs.

Agricultural Research Service Programs: We commend the shift in programmatic strategy within ARS toward long-range, high-risk, and national problems and opportunities. We support present efforts in program redirection from traditional aspects of plant production toward development of information on underlying mechanisms, bioregulation and biotechnology. These are critical to the future of soybean production and utilization and urge such redirections remain consistent with recommendations of the recent report from the Soybean Research Advisory Institute.

Competitive Grant Program: We recognize the increase in the Competitive Grant Program as proposed in the President's budget. This is an effective means to obtain the broad spectrum of inputs from all disciplines needed to address the problems of agriculture. ASA supports continued emphasis on competitive grants for production efficiency, plant stress, bioengineering and germplasm research programs.

EXPORT MARKET DEVELOPMENT

In spite of increases in total funding available for market expansion during FY 84, funding still has not kept pace with the increased need for aggressive export market expansion. Competition for agricultural markets is increasingly intense. Cooperators -- such as ASA -- need maximum market expansion funding from FAS to enable them to compete with foreign competitors. ASA and other cooperators cannot expand programs into new market areas without cutting programs in more developed markets such as Japan and Europe, where competition is most intense and the stakes are the highest.

CONCLUSION

U.S. soybean farmers recognize they are requesting aggressive federal funding for soybean research and export market development at a time when major federal programs face severe budget reductions. Rather than requesting short-term, tax-draining federal support programs, ASA seeks federal support which will help provide a solid base to revitalize U.S. agriculture, and will offer bright potential for increased tax revenues, increased jobs and higher farm profits.

The American Soybean Association appreciates the opportunity to present comments on the Administration's FY 1985 budget request for the U.S. Department of Agriculture.

ASA is a national, nonprofit, farmer-controlled commodity association organized to build profits for soybean farmers. More than 450,000 farmers provide support for our soybean and product export promotion, research and education projects through membership and voluntary investments in 25 state soybean checkoff programs.

AGRICULTURAL RESEARCH NEEDS

Many agricultural economists say world demand for U.S. soybeans will double over the next decade, provided that foreign nations have adequate resources to purchase needed imports. U.S. soybean farmers can meet this dramatic increase if we continue to jointly support an aggressive research effort to uphold soybean profitability through expanded uses for soybeans, soybean products and research to improve soybean production efficiency. Research

must keep soybeans profitable and competitive in world markets or the competition will replace this nation's dominant position.

Soybean farmers will invest over \$4 million of their own funds this year for soybean research projects. These farmer funds, collected through the 25 state checkoff programs, complement federal and state research programs. Most farmer investments in research remain within the state to answer local needs. ASA uses the remainder to address national soybean priorities. These monies are used to expand research projects through better use of federal and state base funds, and provide technical assistance, supplies and equipment.

The 1981 Farm Bill established an eleven-member Soybean Research Advisory Institute within USDA to: assess current soybean research; consider the most effective ways to remove impediments to increased soybean production; estimate the amount of funds needed to carry out a coordinated program of national soybean research to develop means for effectively increasing U.S. soybean production and profitability; and develop plans for an international conference on soybean research to compare and share information on the production and utilization of soybeans.

This week the Advisory Institute has reported the following research priorities to the House and Senate Committees on Agriculture:

- 1) Research is needed to develop basic understanding of soybean growth, development and utilization. These basic research studies are necessary to take advantage of future biotechnology advances.
- 2) Soybean germplasm studies need to be expanded. Germplasm holds one of the keys to minimizing disease, moisture and other stresses.
- 3) Greater emphasis needs to be placed on multidisciplinary soybean research.
- 4) Integrated production strategies in resource utilization, pest management and conservation of natural resources need further emphasis.
- 5) Research advisory groups should be used to better target the soybean research effort and transfer results to user groups.

These research priorities are important to both state and federal soybean research efforts.

Cooperative State Research Service/Extension Programs: Soybean farmers maintain strong local contact with state experiment stations partially funded with Hatch formula and farmer checkoff funds. These funds provide vital regional/state research into areas of importance to the soybean farmer.

Improved soybean production efficiency represents an especially important way to improve soybean farmer profit potential. It reduces per acre production costs. CSRS-funded research should be tailored to solve regional needs. An outstanding example of the results from the use of CSRS and soybean checkoff funds is a joint Iowa research program which developed soybean genetic resistance to iron chlorosis, an iron deficiency disease.

ASA is concerned with the Administration's proposal to eliminate the important CSRS support for soybean germplasm and plant stress research provided under the FY 1984 special grants program. We urge that the \$518,000 for soybean special grants and the \$300,000 in special grants funding for cyst nematode research be retained.

The Extension Service plays an important role in responding to local soybean production problems by disseminating federal/state research results and maintaining direct farmer contact. ASA supports a strong Extension Service in commercial agriculture. In addition, we encourage Congress to provide sufficient funds to continue federal Extension emphasis on production techniques to control soil and water erosion. ASA has worked closely with the Extension Service to develop joint farmer education programs. The Extension Service works with soybean farmers to conduct valuable on-farm research projects/test plots to examine practical farming needs.

Agricultural Research Service Programs: We commend the Agricultural Research Service on its recent initiatives to reduce managerial overhead and to transfer monetary savings to research. We commend the shift in programmatic strategy within ARS toward long-range, high-risk, and national problems and opportunities. We support present efforts in program

redirection from traditional aspects of plant production toward development of information on underlying mechanisms, bioregulation and biotechnology. These are critical to the future of soybean production and utilization. We urge such redirections remain consistent with recommendations of the recent report from the Soybean Research Advisory Institute.

The ARS initiative to gain a better understanding of the needs of the agricultural industry is a move in the right direction. One of the recommendations of the Soybean Research Advisory Institute emphasizes the importance of communication between the public and private sectors. Commodity advisory committees and/or innovative means of interaction should be established to work with all research agencies within USDA and Extension.

Competitive Grant Program: We recognize the increase in the Competitive Grant Program as proposed in the President's budget. This is an effective means to obtain the broad spectrum of inputs from all disciplines needed to address the problems of agriculture. ASA supports continued emphasis on competitive grants for production efficiency, plant stress, bioengineering and germplasm research programs. We urge that federal agricultural research grants be allowed only to those universities and institutions with expertise and facilities to conduct research and extend new-found knowledge to farm application.

EXPORT MARKET DEVELOPMENT NEEDS

The American Soybean Association continues to expand export promotion programs to face increased challenges in traditional and new, emerging markets. Funds for ASA export promotion programs are generated from three sources. Soybean farmers in 25 states help fund ASA's export promotion programs through checkoff investments. Agribusiness and USDA's Foreign Agricultural Service (FAS) provide additional funds.

In spite of increases in total funding available for market expansion during FY 84, funding still has not kept pace with the increased need for aggressive export market expansion. Unlike the 1970s when the United States dominated the supply of agricultural commodities in a tight world supply situation, supplies of most commodities have become abundant on the world market. Competition for agricultural markets is increasingly intense. Cooperators -- such as ASA -- need maximum market expansion funding from FAS to enable them to compete with foreign competitors. The United States spends far less for foreign market development, as a percentage of total export value, than competing foreign nations. ASA and other cooperators can not expand programs into new market areas without cutting programs in more developed markets such as Japan and Europe, where competition is most intense and the stakes are the highest.

Successful export promotion programs help farmers increase profits. A recent study of ASA's export promotion programs shows that farmer-funded export promotion has increased soybean prices eight cents per bushel each year for the last 12 years. The study, conducted by Chase Econometrics, also found that ASA's export promotion increased gross soybean cash receipts to U.S. farmers \$57.50 per dollar invested overseas and increased U.S. soybean export revenue \$66.40 per dollar invested. The Chase study shows that without export promotion, U.S. soybean farm gross cash receipts would have averaged four percent less during each of the last 11 years.

Here is just one example of the more than 200 ASA export promotion programs that help U.S. farmers sell more soybeans profitably. African Swine Fever forced eradication of the Dominican Republic's swine population. The swine restocking program was hampered by poor farmer education and a shortage of animal scientists to show farmers how to raise hogs. Because soybean meal is used as the major source of protein in hog rations, lagging swine industry development cut soybean sales to the Dominican Republic. To boost the soybean meal market, ASA sponsored swine consultant visits to the Dominican Republic. Experts showed veterinarians and producers how to raise healthier hogs and the advantages of including soybean meal in hog feed. With instructional aid from ASA, producers have restocked their herds to 17 percent of the previous population: a market for 1.116 million bushels of soybeans.

CONCLUSION

U.S. soybean farmers recognize they are requesting aggressive federal funding for soybean research and export market development at a time when major federal programs face severe budget reductions. Rather than requesting short-term, tax-draining federal support programs, ASA seeks federal support which will help provide a solid base to revitalize U.S.

agriculture, and will offer bright potential for increased tax revenues, increased jobs and higher farm profits.

ASA greatly appreciates past Congressional support for agricultural research and market development. The U.S. needs to work hard to maintain its competitive edge in today's world markets. Expansion of new agricultural technologies, research investments and development of foreign markets for U.S. products is the best step the U.S. can take in maintaining this competitive edge.

Thank you for this opportunity to present our views on the FY 1985 USDA budget.

NATIONAL PORK PRODUCERS COUNCIL

STATEMENT OF DAVID CUMMINGS, PORK PRODUCER

We thank you for the opportunity to submit this information for your study and the record. Representatives of the National Pork Producers Council have been afforded this opportunity for many years and are always courteously received, which we do appreciate.

The National Pork Producers Council represents 110,000 pork producers and their families in 38 member states which are affiliated with the national organization. The NPPC represents virtually all of the commercial pork production in the United States.

The budget under consideration here today is of great importance to our organization and its members. We are very concerned about the allocations for agricultural research, teaching, extension, and protection. These areas all have a great impact on the profitability of our members. In fact, as demonstration of this concern, NPPC cooperates directly and indirectly with the various government agencies in each of these areas.

Since its inception, the NPPC has provided a modest sum of money to initiate research projects in areas of producer priority to universities nationwide. This NPPC seed money must be, and most times is, matched by federal funds to complete the budget requests so the work can be initiated. This funding by NPPC also enhances higher education as it oftentimes involves support for a graduate assistant to accomplish the work.

The NPPC feels strongly that a high level of research is needed just to maintain our position in productivity, efficiency, disease control and prevention, food safety, product research, and human nutrition. An additional increment of funding helps the industry to make strides forward.

As for extending the knowledge gained, NPPC works very closely with the federal and state Extension Services. We provide many materials and forums to gather the information for subsequent extension to our membership. This activity is fundamental to progress. The information must not only be developed, but it must be transmitted to the users for adoption.

The NPPC has also been interested in the disease surveillance and health protection activities of the USDA. In accord with our feelings, we provided financial cooperation to the federal government to promote the initiation of pseudorabies pilot projects.

The nation's pork producers, as represented by the National Pork Producers Council, are cognizant of the tremendous budget deficit that the government faces. We are concerned about the effect of this deficit on the nation's economy and support emphasis to reduce the deficit. Although the deficit, the appropriations for the entitlement programs, and the Department of Defense make the amounts that we are discussing seem insignificant, we are aware that increases must be compensated for by decreases in budgets if our efforts to reduce the budgetary deficits are to succeed.

AGRICULTURAL RESEARCH SERVICE (ARS)

The research expenditures for the improvement of animal agriculture are not proportional. We are concerned that the funds for animal agriculture research have steadily fallen behind the funds that are available for other forms of research funded by the department. The livestock farmer produces approximately 50 percent of the total agricultural income; but unfortunately, animal agriculture never receives anywhere near 50 percent of the research dollars. This is highlighted by a review of the appropriations for 1983 and 1984, and the present proposed budget for 1985.

ARS BUDGET COMPARISONS

	1983 <u>Appropriation</u>	1984 <u>Appropriation</u>	President's 1985 <u>Proposal</u>
Research on animal production	86,503	82,284	84,917
Research on plant production	179,143	185,195	190,748
Research on the use and improvement of soil, air, and water	60,700	63,641	65,735

	1983 Appropriation	1984 Appropriation	President's 1985 Proposal
Processing, storage, distribution, food safety, and consumer services research	86,634	89,599	93,156
Research on human nutrition	32,931	34,147	34,392
Repair and maintenance of facilities	11,412	11,092	11,092
Higher education grants	-0-	7,800	2,000
Contingencies	1,000	1,000	1,000
Construction of facilities	3,752	4,522	-0-
Total direct program	462,075	479,280	483,040

To summarize, in 1983 the research on animal production was approximately \$86.5 million. This was reduced in 1984 to \$82.3 million; and although proposed to be increased in 1985, it still does not reach the 1983 fiscal-year level of \$86.5 million. This is contrasted to the funds for plant production, which were approximately \$179 million in 1983, increased to \$185 million in 1984, and proposed to be increased even further to almost \$191 million in 1985. We fail to understand this continued proposed increase in plant production research, apparently partially at the sacrifice for funds to animal production research. Without animals, the surpluses of feed and forage would be even greater. This is a disparity that should be corrected by adding at least \$5 million to the research on animal production for fiscal year 1985.

We are also convinced that for the animal or total agricultural research efforts to be successful in future years, that there does have to be additional funds for training young scientists. We recommend, therefore, that the grants for higher education for fiscal year 1985 be increased to \$5 million from the \$2 million proposed in the present budget.

COOPERATIVE STATES RESEARCH SERVICE (CSRS)

We are again disappointed to see that the administration budget did not propose any funds for animal health research under Section 1433. We recommend, therefore, that Congress provide funds for the Section 1433 research at the \$6-million level.

We also believe that \$7 million for animal health research, in the special grants program, should be given positive consideration. This is also in accord with the recommendations of the National Association of State Universities and Land Grant Colleges.

We feel very strongly that the funds for Integrated Reproduction Management should be provided. We have recommended for several years that each of the three research and extension agencies — ARS, CSRS and the Federal Extension Service, invest at least \$1 million a year in IRM activities.

The NPPC was extremely disappointed that the fiscal year 1984 appropriations did not include the \$4.5 million that was recommended by the administration for competitive research grants in animal science. We are pleased to see, however, that the \$4.5 million is again included in the administration budget for fiscal year 1985, and that the National Association of State Universities and Land Grant Colleges also recommend this amount for competitive research grants.

We also support an increase in competitive research grants for biotechnology. We have stressed, in several statements, that there is a dire need for good research in animal production. The research bank has almost been exhausted, and we are now in the need of real breakthroughs to allow animal production to maintain its competitive position in the total agricultural industry. We believe there are exciting possibilities which can stem from biotechnology research. We are certain many others will agree to a major increase in the competitive grants research for biotechnology.

We are convinced that these increases in competitive research grants will increase the training of young scientists who are necessary for agricultural research to maintain its position in the scientific world. This basic research, which will be conducted under the competitive research grants program, is a fertile training field for young scientists who must fill the ranks of those senior scientists who are constantly being lost to attrition.

FEDERAL EXTENSION SERVICE (FES)

We believe the increase for the state program is necessary and probably should be somewhat more. We concur in the recommendation of the administration in regards to the so-called EFNEP program. Although the program's goal is extension of valuable nutritional information, we wish to point out that this program will not be eliminated or severely curtailed by the deductions proposed in the administration budget. In fact, we believe that this reduction in funds, which will practically provide money for all the increases that we have recommended, can be kept to levels proposed in the budget and still make a significant contribution to the nutritional information of the nation.

As in the case of the CSRS budget, we recommend that the Extension Service also make money available for the Integrated Reproduction Management program. We are not recommending the exact amount, except that we believe it should be similar to the allocations for other agencies for the purposes of having the three agencies work together in this important approach to reproduction research.

We believe that the new federal initiatives program should be funded. Without question, there are improvements which could be made in the methods of communication of knowledge to our producers. The innovative approaches should be thoroughly explored and funds should be made available for that purpose. The traditional approaches, which have proved to be sound and are still very useful, can very well be replaced in the future with some of the new initiatives that are being discussed and tested.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Frankly, we are concerned with the approach being taken by the administration in regard to the funding for this important agency. We do not concur in the proposed procedures for collecting approximately \$25 million from the nation's cattlemen to fund the brucellosis eradication program. The program will not provide funds during fiscal year 1985 in that legislation cannot possibly be implemented that soon. There may be the possibility of industry support for disease eradication programs which reduce the load on the federal government. But, if these are to be proposed, we believe they should be thoroughly discussed with the industries concerned before they are made a matter of budgetary legislation.

The pork producers believe very strongly that disease control and eradication programs need to be supported by the industry and the federal government. Our record has proved this in that we provided the start-up money for the pseudorabies pilot project program. In addition, we have been actively engaged in the effort to secure funds that helped to write the program which led to the eradication of African Swine Fever from the Island of Hispanola. There is no question in our minds that the industry has to be involved in the planning and execution of these programs. Whether or not producers should be expected to make contributions to the direct expenses is a question that we have not formally discussed. Producers make their contribution by making their animals available and by the effort and labor that goes into participating in the disease eradication program, and in the sacrificing of animals that are found to be diseased. We recommend, therefore, that before USDA considers shifting the burden of these programs to a greater extent on the industry, that there be detailed discussions of the industry involved prior to the adoption of any program.

Mr. Chairman, we are pleased to see that funds are continuing to be provided for the pseudorabies pilot project programs which are well underway.

CONCLUSION

The National Pork Producers Council is very closely involved with, and very much impacted by, the programs being discussed here today. We appreciate your consideration of our views as we strive to continue to provide the American consumer with a safe, wholesome diet, balanced with nutritious pork.

FOREST FARMERS ASSOCIATION

STATEMENT OF B. JACK WARREN, EXECUTIVE VICE PRESIDENT

Mr. Chairman, my name is B. Jack Warren, executive vice president of Forest Farmers Association, which is headquartered in Atlanta, Georgia. Forest Farmers Association, established 43 years ago, is an organization of private timberland owners in 15 southern states. Our members own over 40 million acres of commercial forest land.

My statement will be directed toward the President's budget request for 1985 appropriations related to several elements of the Department of Agriculture. We strongly support the President's efforts to balance the federal budget, and recognize that funding for all activities and programs must be carefully scrutinized and evaluated. We do urge, however, that reductions be made on a priority basis with essential and most highly cost-effective forestry programs maintained at least at basic minimum levels. Our nation's forest development is vital to its long-range economic health, and certain programs such as extension forestry, conservation programs, and research should be administered on a continuing basis.

Our association recommends the following:

	Actual FY '84	Budget FY '85	Recommendation FY '85
	-----Millions-----		
<u>Research</u>			
Hatch Act	\$152.3	\$155.3	\$155.3
McIntire-Stennis Act	12.7	12.7	13.0
<u>Extension</u>			
Renewable Resources Extension Act	2.0	-0-	4.0
<u>Conservation Programs</u>			
Agricultural Conservation Programs	190.0	56.0	190.0
Forestry Incentives Program	12.5	-0-	12.5
Soil Conservation Service	609.9	475.0	609.9

Research

This committee has always recognized in the past the need for research to maintain the agricultural and forestry components of our economy and to realize that research must be maintained as a long-term process to be effective. We would like to see the funding for the Hatch and McIntire-Stennis Acts retained at least at the FY 1984 level. The effects of inflation will in essence reduce these programs.

Extension

The Renewable Resources Extension Act was passed in 1978 but was not funded until 1983. The appropriation was set at \$2 million when the authorization was \$15 million. The President's budget advocates no funding for FY 1985, but we urge your consideration of an increase at the level of \$4 million. This new program has met with much success in the few months it has been in existence. We support this legislation, which affects all of our members, to be funded at a high enough level in order to function adequately to extend needed technology to all forest landowners since our demand for wood will double in 20 years.

Conservation Programs

The Agricultural Conservation Program, which was funded at \$190 million in FY 1984, is proposed to be funded at \$80 million in FY 1985. We recommend that the funding level be at least the FY 1984 level so that the Rural Community Fire Protection program which provides funds to state foresters to organize, train and equip rural fire departments will not be affected.

We are very concerned about the elimination of the Forestry Incentives Program (FIP) in the President's budget. This program has met with much success and has demonstrated its effectiveness in regenerating cut-over lands. The program favorably influences future productivity of these lands, which in turn stimulate

the economy. The Forestry Incentives Program is targeted to regeneration of the best quality forest land and, according to a U.S. Forest Service "assessment" study, for every \$100 of public monies spent to regenerate southern pines, society will benefit from a \$3,800 reduction in the total price of wood products it consumes in year 2020. Therefore, we feel that funding should remain at \$12.5 million which is the FY 1984 level.

Our association is also interested in maintaining funds for the Soil Conservation Service at least at the FY 1984 level. This agency is vital to the future productivity of private farmlands and meeting severe problems facing the farmers of the United States. We would not be the agricultural nation we are today if it had not been for the outstanding accomplishments of this agency.

Your committee over the years has demonstrated a deep understanding and support for adequate federal programs affecting the timber landowner and farmer. We are confident that you and your committee will make the right decisions in order to keep our nation the leader in forestry. Thank you for the opportunity to present these views.

THE AMERICAN HONEY PRODUCERS ASSOCIATION, INC.

STATEMENT OF GLENN GIBSON, PRESIDENT

I am Glenn Gibson, President of the American Honey Producers Association, a nation-wide organization of honey producers and/or beekeepers. We have members in 41 states. Our group is the only nation-wide honey industry organization where the voting privileges are limited to producers only.

We are pleased to have this opportunity to present our requests for funding of our line for the fiscal year 1984/85.

SUMMARY OF RECOMMENDATIONS

We recommend:

1. That some of the existing bee research funds currently allocated for Africanized bee studies by the Baton Rouge Bee Lab and bee nutrition studies by the Tucson Bee Lab be redirected to Acarine and Varroa mites studies under the leadership of the Laramie Bee Disease and Pesticide Lab.
2. That research funds be redirected to fund a full time Federal Extension Apiarist.
3. That an indepth study be made to determine the cause of the increased expenditures for the honey loan program.

JUSTIFICATION FOR PUBLIC INTEREST

Apiculture or beekeeping is usually regarded as the production of honey and beeswax. In the United States approximately 4.5 million colonies of honey bees produce 220 million pounds of honey and nearly 4 million pounds of beeswax annually. The value of these crops total near \$150 million.

However, bees are much more important for pollination of crops than the production of honey and beeswax. More than 90 crops grown in the U.S. valued at \$9 billion are dependent on honey bee pollination. Additional crops valued at \$6 billion are benefited to some degree by insect pollination. The above figures do not reflect other aesthetic and/or tangible benefits that American families receive from the bees that pollinate each and every home orchard and garden. Nor do they reflect the value of bee pollination to the countless native and introduced fruit, nut, oil seed and flowering plants that provide food and cover for wildlife.

Currently a few beekeepers rent their colonies to farmers for the pollination of numerous fruit, vegetable, oilseed, and legume seed crops. Nationally pollination fees are a small part of the beekeepers income, totaling approximately \$10 million. More than 95 percent of the honey bees pollinate nearby crops free of charge.

ACARINE MITE, (*Acarapis Woodi*) RESEARCH NEEDED - AT ONCE

Acarapis Woodi, commonly called the Acarine mite, infests the prothoracic trachea of the honey bee, *Apis mellifera* L., where it completes its life cycle. This mite has parasitized the beekeeping industry in all major honey producing countries except the United States and Canada. It has been found in Apiaries

less than 200 miles south of the Texas-Mexico border. So far no mites have been found in the U.S., but we feel that its invasion is inevitable.

Commerical beekeepers in Mexico report that it is a serious pest and will pose a serious threat to beekeeping in the United States. One commercial beekeeper in Mexico reported a loss of 25 percent of his colonies during a period of 2 years. The Canadian beekeepers are deeply concerned.

The presence of Acarine mites in colonies below the border in Mexico offers an excellent opportunity to study the mite in a variety of climates similar to ours in a friendly country. Canada, Mexico and the United States would benefit from such studies. It is possible that a control might be developed before the mites are found in this country.

VARROA JACOBSONI RESEARCH

The Varroa Jacobsoni, commonly called Varroa mite, was first discovered in the Western Hemisphere in the state of Sao Paulo, Brazil in 1979. North America is now the only Varroa free continent left. Varroa mites feeds on the blood or hemolymph of adult and developing bees. Scientists have also observed them feeding bee brood feed.

In 1980, after initial surveys and chemical tests, a collaborative program was begun between the Ribeirao Preto campus of the University of Sao Paulo in Brazil and Cornell University in the United States. The Brazilian effort was funded by the Foundation for the Aid of Research in the state of Sao Paulo (FAPESP) and the National Center for Research (CNPP) under the direction of Dr. Lionel Goncalves. The United States program is headed by Roger A. Morse of Cornell and was initially funded by the United States National Science Foundation. Subsequently the Office of International Cooperation and Development, International Research Division of the U.S. Department of Agriculture became involved, awarding a 3 year grant starting in early 1983. As a result of these agreements, David DeJong, went to Brazil as a Research Associate from Cornell. He has later received appointments as Assistant Professor in the Department of Genetics of the University of Sao Paulo Medial Faculty in Ribeirao Preto and in the Department of Biology, Faculty of Philosophy, Sciences and Letters in Ribeirao Preto, Sao Paulo, Brazil.

So far, no practical control has been developed and the mite has spread into 15 states. Scientists predict an eventual invasion of North America. This project should be funded until a solution is found, which may mean that additional funds will be needed in 1986.

FEDERAL EXTENSION APIARIST

Several times during the last few years we have asked the Department of Agriculture to create the position of a Federal Extension Apiarist. In 1982 the Department responded by creating a half-time position. This program is one of many innovative "New Model" programs designed to "Enhance National Leadership in Extension.." The principal objectives of the National Extension Apiculture Program (NEAP) are ---

To conceptualize and develop strategies for apiculture; and

To interact with industries associated with apiculture.

The program represents a cooperative agreement among Extension Service/ USDA, The University of Minnesota Agricultural Extension Service and Basil Furgala, Professor of Apiculture, Department of Entomology, 530 A Hodson Hall (612) 373-1716. This part time position can be easily justified since many agricultural crops depend on honey bee pollination.

We feel that a full-time Federal Extension Apiarist is needed since the industry is facing some seemingly insoluble problems. Beekills by pesticides increases with each passing year. Imports are slowly but surely replacing domestic honey on the grocer's shelf, leaving the government our only dependable customer under the honey loan program. Also, Acarine and Varroa mites are inching their way northward from Mexico and South America. Negative publicity real and imagined about killer bees poses problems for the American beekeeper when he searches for a spot to locate his apiaries. Government agencies are guilty of disseminating misinformation about our programs. An Extension Apiarist would be a reliable source of beekeeping information, not only for the public but government agencies as well.

CAUSE OF INCREASED EXPENDITURES UNDER THE HONEY LOAN PROGRAM

We feel that our troubles with the honey loan program are caused by imports. For three years we have pleaded with the Department of Agriculture to take action that would give us some relief. Among other things we have asked the Department to recommend a Section 22 study by the International Trade Commission. So far the Department has ignored us.

For the Subcommittee's information over 2000,000 beekeepers who produce honey, beeswax and offer pollination service to other segments of agriculture are divided in three groups:

- 200,000 hobbyists, owning less than 25 beehives, or colonies;
- 10,000 sideliners, owning 25 to 300 beehives, or colonies; and
- 1,700 commercial, owning 300 colonies, or more.

Total ownership in the U.S. is estimated to be 4.2 million colonies. Hobbyists and sideliners own 50 percent of the nation's beehives and collectively produce 40 percent of the honey. Commercial beekeepers own the balance and produce 60 percent of the honey.

Hobbyist beekeepers, especially those with a few colonies, usually do not sell commercially. Instead, their production goes for home use and gifts for friends and relatives. Few in this group have any interest in making a profit and would not be affected with low prices.

On the other hand, sideline beekeepers are concerned with prices and markets. Some pack and distribute their honey to neighboring grocery stores. Others sell to packers and operate retail outlets -- such as roadside stands. Over the years a number of these have made use of the honey loan program. Commercial and sideline beekeepers produce 80 percent of the nation's domestic production. Consequently, our recommendations for import protection are designed to assist these groups.

Our annual domestic production has shown no long-term change. However, annual production in recent years has been slightly lower than the forty year estimated average of 220 million pounds. This tends to explode the Department of Agriculture's theory that high subsidies cause overproduction. A high support rate will no doubt cause overproduction in exporting countries when they have a dumping ground like the United States.

Authorization for the honey loan program was a part of the 1949 Farm Bill. This legislation mandated the support for honey at the rate of 60 to 90 percent of parity. The program was relatively trouble-free until 1980 when heavy imports caused a number to forfeit their loans and deliver their honey to the Government. The problem worsens with each passing year. Figures on Commodity Credit Corporation acquisitions and honey imports follow--

Year	CCC acquisitions (millions of pounds)	Imports (millions of pounds)
1970	0.1	8.9
1971	0.0	11.4
1972	0.0	39.0
1973	0.0	10.7
1974	0.0	24.6
1975	0.0	46.4
1976	0.0	66.5
1977	0.0	63.9
1978	0.0	56.0
1979	0.0	58.6
1980	6.0	49.0
1981	38.7	77.3
1982	76.0	92.0
1983	100.00	109.8

We expect the figures for 1984 to show increases in both imports and take-over. During this period annual exports average less than 10 million pounds, which is certainly more than could be expected. Obviously, heavy imports are causing our problems with the honey loan program.

The Foreign Agriculture Service, USDA, reports the following tariffs imposed on imported honey from some honey trading countries:

Hong Kong	0
Canada	1.5 cents per pound
Australia	2% Ad valorem
Saudi Arabia	3% Ad valorem
Kuwait	3% Ad valorem
Malaysia	11 U.S. cents/lb
Singapore	11 U.S. cents/lb
European Community	27% Ad valorem
Argentina	28% Ad valorem
Hungary	30% Ad valorem

Japan	30% Ad valorem
Bahamas	32.5% Ad valorem
Turkey	50% Ad valorem
Romania	50% Ad valorem
Mexico	50% Ad valorem plus 2% export promotion surcharge plus 1.50% port improvement surcharge
Venezuela	60% Ad valorem plus 3.5% port surcharge if arriving by ship or 5.5% if arriving by air.
Red China	80% Ad valorem
Bulgaria	100% Ad valorem
Brazil	Prohibited

Japan and the European Community tariff schedules make a mockery of free trade. Not only do they exclude American honey, but they cause more honey to be shipped to our low-duty ports. Duties for these countries could be justified if they had a large industry. Foreign Agriculture Service reports the following colony count for 1982.

Japan	307,000	West Germany	1,130,000
France	1,200,000	United Kingdom	212,000

Small beekeepers in these countries do not need import protection.

Regardless of the Department's attitude toward import protection for honey, we feel that a Section 22 study should be implemented at once.

FUNDING OUR RECOMMENDATIONS

We do not recommend additional appropriations for funding the Acarine mite study and the creation of full time Federal Extension Apiarist. Instead we recommend that some of the funds now being allocated for Africanized bee studies by the Baton Rouge Bee Lab and bee nutrition studies by the Tucson Bee Lab be redirected. Approximate current funding of the 6 Bee Labs ---

Tucson ----	\$800,000	Baton Rouge ----	\$900,000
Logan ----	300,000	Beltsville -----	450,000
Madison --	375,000	Laramie -----	300,000

Since the Baton Rouge and Tucson Labs have the largest budgets, we feel that redirecting some funds from each lab will not seriously affect the overall bee research program. This would give us an excellent opportunity to commence a high priority study on a very serious problem. Estimate of funds needed for the Acarine study in Mexico is \$150,000 per year. Estimated funding for a full time Federal Extension Apiarist would be \$100,000, but redirected funds would be less since current expenditures for the half-time position are already authorized.

We recommend that the Federal Extension Apiarist's office be in Washington.

We recommend that the Acarine mite study be conducted under the leadership of the Laramie Lab.

SUMMARY

We do not recommend any new appropriations.

We recommend a redirection of funds now currently allocated Subject redirected funds to be used to fund an Acarine mite study in Mexico and a full time position for a Federal Extension Apiarist Also, we urge the Committee to recommend an in depth study of the excessive costs of the honey loan program.

For the Subcommittee's information I am attaching the following:

- * A letter from Senator Larry Pressler dated September 19, 1983
- * An article by Dr. Roger Morse, Department of Entomology, Cornell University

LETTER FROM HON. LARRY PRESSLER, U.S. SENATOR FROM SOUTH DAKOTA

Mr. Glenn Gibson
American Honey Producers Assoc.
P. O. Box 368
Minco, Oklahoma 73059

September 19, 1983

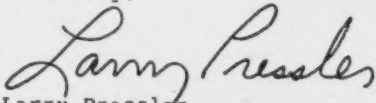
Dear Mr. Gibson:

{ As you know, I recently met with a group of beekeepers and U.S. Secretary of Agriculture Block. Several issues were discussed and several misconceptions by the Department of Agriculture became evident. Since the meeting, I have been working to correct USDA's false impressions. Two such misunderstandings are that beekeepers receive a large part of their income from pollination fees and that the honey loan program has encouraged increased honey production.

You know that these things are not true, but it became clear at the meeting that the Department of Agriculture does not understand this. In an effort to bring attention to this matter, I recently made a speech on the Senate floor concerning the honey industry. For your information, I am enclosing a copy of my statement.

You can be assured that I will continue to fight for the continuation of an effective honey program. If you have any questions or comments, please don't hesitate to contact me.

Sincerely,


Larry Pressler
United States Senator

MEETING WITH SECRETARY OF AGRICULTURE BLOCK

By ROGER A. MORSE
Department of Entomology
Cornell University
Ithaca, NY 14853

A number of persons from the beekeeping industry representing honey producers, packers, bee supply dealers, and others met with Secretary of Agriculture John Block in Washington on July 29. The group was accompanied by Senator Larry Pressler from South Dakota who had arranged the meeting. In many ways the outcome was not satisfactory, but the meeting did serve to clarify the administration's position concerning beekeeping and the price support program for honey.

If the Secretary of Agriculture had his way, there would be not price support program or any other industry protection. The Secretary, like the President, is a free trader. There are many things in favor of free trade. The primary one is that those who can produce a commodity for the least amount of money will dominate the market, and as a result, food will be cheaper. The Secretary said at one point, "There is a lesson to be learned" If Chinese beekeepers can produce honey for less than beekeepers in the United States.

There are also reasons why the government has and will continue to support the price of certain commodities. For example, the legislation concerning the support price for milk says there shall be such a program, "in order to assure an adequate supply of pure and wholesome milk to meet current needs." In other words, the writers of that legislation wanted to make sure that the children of America had all the milk they needed for good health.

There are also sound reasons for supporting the price of honey. In our discussions with the Secretary, he said that the users of bees for pollination should be those who pay to support the industry. The thought that users should pay for the services they receive is one that permeates government at all levels today and, again, sounds good on the surface. However, to make such a statement concerning the beekeeping industry indicates a profound lack of knowledge about pollination and how it is done in this country. It is obvious to me that the beekeeping industry has not done a good job of telling

people where and how honey bees are used. This is an educational process, and it is one that must be repeated.

Pollination and Wildlife

The wildlife of this country depends upon fruits, berries, nuts, and seeds for existence. It should be remembered that before the settlement of North America by Europeans, the pollination of these crops was done by flies, beetles, and twig and ground nesting bees. However in the past several hundred years, wildlife from other parts of the world has been introduced into the United States. These animals use foods that are often not native to this country. In addition, several flowering plants have been introduced. Solitary and ground nesting bees are abundant in many areas; in fact, I have found that in parts of New York State they outnumber honey bees two to one. However, for the most part these bees are small insects are not capable of pollinating many of the introduced plants, especially certain clovers with large flowers. They are also not sufficiently abundant or large enough to pollinate apples and many other fruits. The wildlife of the United States is a great user of the pollination services, and there is no way beekeepers can collect money for this service.

Pollination and Home Gardens

Gardening is a popular hobby and an important producer of food that helps to reduce grocery expenses in the United States. Many of the crops grown in home gardens do not require pollination, but others such as squash, cucumbers, melons, pumpkins, and a host of fruits, including apples, pears, blackberries, raspberries, strawberries, either require or benefit from adequate pollination. A community that may have one beekeeper, probably has 50 or 100 home gardeners. As in the pollination of crops for wildlife, certain other insects play a role in pollination but honey bees are the most important. It should be remembered too that many of our better garden varieties are man-made plants (man-selected) and require an insect as large as a honey bee for adequate pollination. Again, there is no way that a beekeeper can assess or collect a fee from these users of his bees in his community.

Pollination in Rural America

As one drives across the farmlands of our country and looks for apiaries, one will be found every two, three, or four miles in better farm country. This is often not evident because beekeepers hide their apiaries in order to reduce vandalism. If the apiaries are two miles apart, then the bees are foraging over a minimum of about four square miles, whereas if they are three or four miles apart, the area is as large as 9 or 16 square miles. Recent research has shown that it is not uncommon for honey bees to fly five or six miles for food. As in urban America, these bees pollinate fruits and vegetables in home gardens; however, by far the most important role they play is in the pollination of clovers in permanent pastures. We don't pasture dairy cows as we once did in America, but we do pasture dry cows and heifers, beef cattle, sheep, goats, and horses. Permanent pastures exist in many parts of the country because there is reseeding of the clovers and plants such as birdsfoot trefoil. Birdsfoot trefoil is an example of an introduced European plant that requires an insect as large as the honey bee to accomplish pollination. When bees are foraging over an area of many square miles, it is again obvious that user fees will not be collected.

Roadside Plantings

In New York State the Department of Transportation requires that roadside plantings include a certain amount of birdsfoot trefoil. This is because this

plant, once established, is permanent. It reseeds itself, and because of its deep root system, aids in erosion control. In Pennsylvania, crown vetch is used, and I presume other states have similar requirements for obvious reasons. Again, these plantings would not be permanent without adequate pollination and it is obvious that state departments of transportation are not in a position to reimburse beekeepers.

Pollination in Intense Agricultural Systems

In many places in the United States, user fees are paid for pollination. The most notable examples are apples across the northern United States, almonds in California, alfalfa in the western states, blueberries in Michigan, Maine, New Jersey and North Carolina, cucumbers in several states, and a host of other crops. The article by Dr. Everett Oertel in the March 1983 issue of *American Bee Journal* summarizes the rental of honey bee colonies by beekeepers in the United States. The greatest number of colonies is rented in California followed by the states of Washington, Michigan, New York, Florida. However, the number of colonies for which a user fee is paid is only slightly over 10% of the number of colonies found in the whole country.

Most Pollination Is Free

What must be emphasized is that most pollination service is free. It has traditionally been this way and will remain so for good and ample reasons.

AMERICAN ASSOCIATION OF NURSERYMEN

The agricultural community in the United States is composed of many diverse elements. Among these is the nursery industry, which is an important and expanding segment of the community. The nursery industry, among all other branches of agriculture, is most in the public eye. Products of the nursery portion of agriculture can be seen everywhere -- on city streets, in yards, around buildings and inside homes and offices. The American Association of Nurserymen is a trade association with 3,300 member firms. Our production is agriculture, therefore our interest in the budget request currently before the committee.

We would also like to emphasize that our product is a significant part of overall horticultural production which is estimated to have a farm value of over \$16 billion. Thus horticultural crops are the fourth largest commodity classified as agriculture. In 1983 the nursery industry produced plants with an estimated \$1.7 billion in wholesale value.

Protecting, preserving and improving the quality of the environment are major uses of the products of nursery farming. Using trees, and other landscape plants to prevent erosion of soil, as windbreaks, to block unwanted sites and sounds, to remove pollutants from the air, and conserve energy are just a few examples of their wide applications. These functional uses of plants, coupled with the normal satisfaction derived from a well-landscaped residence or business, have substantially increased the demand for the products and services of the nursery trade in the last 15 years.

To assure that the nursery industry's products will continue to be available in view of these increasing demands for their use in improving the quality of our environment and in saving valuable natural resources such as soil, clean air, and energy, the American Association of Nurserymen has annually submitted testimony by highlighting important areas of research which, in our opinion, require immediate and serious attention.

AGRICULTURAL RESEARCH SERVICEARS Six-Year Plan

Last year the USDA Agricultural Research Service (ARS) introduced its Program Plan (USDA Misc. Pub. No. 1429) and its companion 6-Year Implementation Plan

which proposed a \$29 million reduction in the area of plant protection and production research. Of this reduction, \$18.1 million would have adversely affected horticultural crops -- including research on nursery farming programs. We wish to thank sincerely the Congress for addressing our, as well as many other agricultural/horticultural organizations objections to these decreases in the area of plant productivity as short-sighted and unacceptable by allocating a 3.4% increase in the 1984 budget over 1983 for research on plant production. Likewise, the AAN endorses the executive budget increase of \$5.6 million for plant science research to modify plant germplasm, strengthen biological control of pests, support the APHIS plant quarantine program, and integrate research in various disciplines to insure that all important aspects of a problem are addressed.

Pesticide Research Needs

It is imperative however that sufficient funds be appropriated by the ARS for two areas of research. In the first instance, the pesticide needs of the nursery farming community to meet international as well as national and state quarantines and regulations have not yet been fulfilled. These quarantines and regulations have been established to prevent the artificial spread of hazardous insects and diseases which might live on nursery plants. To insure that the plants produced in nurseries are free of these pests, the ARS needs to maintain a strong program of testing pesticides to determine whether or not these can be approved for quarantine certification purposes. This is an area of national concern since nursery crops are the only agricultural products transported with soil about the roots, thus creating a greater possibility of moving soil borne pests or diseases than with other agricultural commodities. The industry itself willingly spends many millions of dollars each year to comply with quarantine regulations but it must have pesticides adequate to do the job. These can only be developed by USDA research and testing.

In many instances, pests controlled by quarantine are not deleterious to nursery crops. However nursery business firms are restricted in marketing their crops to prevent the spread of these pests to other crops and forest lands. Gypsy moth, Mexican fruit fly, European corn borer, Japanese beetle, imported fire ant and witchweed are examples of pests which do little or no damage to

nursery crops under production, but which seriously restrict transport of these crops in both domestic and foreign trade.

Since the early 1970's, restrictions on the use of pesticides have made it increasingly difficult, and more expensive, for nursery farmers to maintain their plants in a pest-free, certifiable condition. We continually urge the ARS to give greater attention to research on nursery trade pesticides needed for quarantine and regulatory purposes. For example, with the phase-out of chlorinated hydrocarbons, agricultural research has failed to provide alternative pesticides to allow our branch of farming to satisfy quarantine requirements in a practical way during production rather than special treatments after harvest.

Nursery farmers believe it is their responsibility, along with State and Federal Departments of Agriculture, to insure that plants produced in nurseries are free of hazardous disease and insects in order to move in commerce without exposing other segments of agriculture, or the general public, to the pests which might live on nursery plants. To do this, we need the cooperation and understanding of Congress, USDA, EPA, OMB and the State Departments of Agriculture.

ARS Research Scientist Positions/Programs

Our second area of concern is the need for an integrated, interdisciplinary approach in support of research involved with the products of the nursery trade -- plants which improve and enhance the quality of our environment. ARS needs to strengthen and reinforce existing research programs in the areas of biotechnology/genetic engineering, as well as fill the need for new positions in such disciplines as entomology and microbiology.

At least two genetic engineers should be added to ARS laboratories concerned with research on our industry's product. Such scientists could work with geneticists working on improving quality characteristics of nursery crops and/or pathologists to develop microorganisms with superior bio-control properties as well as work with an agricultural engineer to develop mechanization systems research for the nursery farming community. In addition, at least one technician needs to be added to support an existing genetic engineer. This would enable him to broaden his scope of activities to include research on

nursery crops. Some other examples of the important research that could be conducted by these individuals includes 1) the development of improved strategies for finding naturally occurring or genetically engineering superior bio-control agents to control soilborne plant pathogens; 2) to determine the feasibility of transferring plant growth promoting properties, such as hormones, into naturally occurring organisms such as mycorrhizal fungi; 3) to develop novel and appropriate methods for introducing biocontrol agents into horticultural crop production systems; 4) the use of genetic engineering procedures to develop germplasm of selected horticultural crops with improved tolerance to pests and diseases; and 5) to develop improved quicker procedures, such as tissue culture, for selecting germplasm with resistance or tolerance to diseases or insects.

Integrated pest and crop management systems research are also needed for plants produced in the nursery. Much more needs to be learned about nursery plant pests in order to achieve more effective pest control and resultant plant protection. The need for an additional entomologist to be involved with research on horticultural crops may best be illustrated by the nursery crop pest -- the black vine weevil. There is an urgent need for research to determine whether this pest, which has not been particularly troublesome in the past, but which is becoming so, has itself changed. In some areas of the country it may now have two life cycles per year instead of one. Research is needed to determine what other possible changes have occurred in the insect which have resulted in its multiplying so much more rapidly. The findings which result should help the nursery farmer more effectively control this pest.

Needed also is an expansion of the research on beneficial microorganisms, especially mycorrhizal fungi which have the potential to increase crop productivity by enhancing growth and/or protecting plants against pathogens. A microbiologist is needed to 1) develop an effective means of producing viable, true-to-name, pathogen-free VA mycorrhizal fungus inoculum using tissue culture or by improved "pot culture" methods and; 2) develop the means to select and characterize the most efficacious mycorrhizal fungi for use on dependent or responsive crop plants under normal agricultural practices.

Since nursery farming is an agriculture enterprise, and the mission of the ARS is to "... plan, develop, and implement research that is designed to produce the new knowledge and technologies required to assure the continuing vitality of the Nation's food and agriculture enterprise," we feel, the federal government's contribution of minimal research is a reasonable expenditure of federal government funds. This is especially significant in view of the fact that nursery farmers have neither asked for nor received crop subsidies or marketing orders from the federal government. As a result, we urge that \$450,000 be allocated within the proposed plant science budget of the Agricultural Research Service to assure that the above research positions/programs are provided for.

Minor-Use (IR-4) Pesticide Program

As noted earlier in the testimony, the pesticide needs of the nursery industry to meet quarantines and regulation have not yet been fulfilled. These quarantines and regulations have been established to prevent the artificial spread of hazardous insects and diseases which might live on nursery plants. To insure that the plants produced in nurseries are free of these pests, continuance of the Inter-Regional-4 (IR-4) research program to obtain data to support expansion of existing pesticide registrations for additional crops or pests remain a top priority. Since 1977, the IR-4 program of State Agricultural Experiment Stations and the USDA has concentrated on conducting research necessary to add the statement "use for nursery crops" to pesticides registered for use on a food or feed crop. Over 9,200 requests for pesticide uses have been received, 8,502 research trails were funded through regional laboratories and USDA-ARS programs and 8,300 completed project reports have been issued supporting 1,654 ornamental pesticide use registrations. In 1983 alone, 153 ornamental use registrations were obtained in expanding the labels for ten pesticides important to the nursery farmer. We request that this vital activity be continued and funded at least at the same level as in 1984.

U.S. National Arboretum

It is only through the improvement of facilities and the expansion of present programs that the full potential of the U.S. National Arboretum can be accomplished. In addition, the national scope of the arboretum's educational

facility and its plant collections demand that this center receive special attention.

We urge that the USDA-ARS make every effort to acquire the 180 acres of surplus land now owned by the U.S. Department of Interior which is contiguous to the land now owned by the National Arboretum. This acquisition of land could be used for a nursery area and for research; it would greatly increase the efficiency of arboretum operations, as well as provide and preserve a natural resource not likely to be otherwise available in the future. Even though this land is currently leased to a concessionaire for four more years, it is not being used at this time. We fail to understand why the Department of Interior would not declare the land surplus and make it available to the National Arboretum where it can be put to the best possible use.

The main entrance and Education Center for the National Arboretum is to be located in the old brick yard site on New York Avenue which was purchased by Congress for this purpose. A Master Plan has been previously developed, but this plan will require an indepth planning stage and the development of architectural and engineering plans for a Plant Life Educational Center. It is estimated that these plans will cost at least \$2 million. We urge that the USDA-ARS commit these necessary resources for the Planning and Preliminary Site Development and Plans.

The American Association of Nurserymen concurs with the U.S. National Arboretum Advisory Council that primary emphasis of the National Arboretum be placed on germplasm enhancement. This includes the acquisition of new land at the Beltsville (Maryland) Agricultural Research Center for the planting, plant evaluation and utilization of germplasm, as well as maintenance of "gene banks".

In order to increase the arboretum's basic and applied research programs, we urge a multidisciplinary approach that will necessitate new budget support to employ additional research scientists in: 1) Plant Pathology; 2) Plant Physiology; 3) Plant Cytology; and 4) Plant Entomology. We request that Congress appropriate an additional \$600,000 to fund these positions and support staff or, at the very least, allocate these funds from the ARS plant production research portion of the 1985 budget.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

It is the objective of APHIS to protect the animal and plant resources of the nation from the artificial introduction and spread of hazardous insects and diseases. Thus Congress, the Administration and the citizens of the United States should look upon the role of APHIS as being preventative. They have been successful in preventing the artificial introduction of many of the worlds most destructive plant insects and diseases. APHIS continues to be very innovative, despite tight budgets, in either eradicating those few new introductions of plant pests or successfully retarding the spread of new pests until acceptable means of economically controlling them have been determined. The Association fears we are approaching, if we haven't already reached, the reduced budget level that will deter further innovative efforts. Because nursery plants, including the root system (often with the soil or growing media in which the roots are growing), move in commerce, they usually are one of the first items regulated under federal and state quarantines to prevent the artificial spread of hazardous plant insects and diseases. As mentioned before, many times these pests are not serious pests of nursery plants, however nursery plants are regulated to protect other agricultural crops, as well as forest and landscape plants about our homes, offices, parks and along our highways.

Gypsy moth is such a pest. The Association endorsed the modification in the gypsy moth quarantine this past year which placed the movement of outdoor household furniture from regulated gypsy moth areas under regulation. As gypsy moth continues to spread into heretofore uninfested states, or portions of states, it is important that APHIS plays a strong role in preventing such spread and working with the State Departments of Agriculture of those fortunate states which have not had to contend with this ravenous pest. There is continuing need for APHIS to be involved in gypsy moth quarantine activities and to serve as an arbitor in working out regulations between infested and non-infested states.

Imported fire ant also is a pest which does not attack nursery plants, yet nursery crops are regulated. With the cancellation of chlordane for nursery uses on December 31, 1979 nurserymen have not had, and still do not have, a pesticide or other means of maintaining nursery plants grown in the

ground free of the imported fire ant in order to meet the quarantine requirements for shipment out of infested areas. At long last, the nursery farmer does have a registered pesticide for use in container-grown plants against the fire ant. This has enabled the nursery farmer in the southeastern imported fire ant infested states to regain a portion of the market they lost with the cancellation of chlordane. The association urges that nursery uses be included in the improved control and regulatory techniques program to be carried on with the \$617,000 budget request.

Witchweed is still another imported pest which is not a pest of nursery crops, but would be a devastating pest to the nation's corn crops if by some means it were able to artificially spread from the limited infested area in North and South Carolina to the major corn producing areas. The cooperation of North and South Carolina with APHIS has not only limited the spread of this pest naturally, but has permitted eradicating it from an increasing portion of the area once infested. Since corn is a major agricultural crop, and is also one of our major export crops, this quarantine is vital to the entire country and should not become the sole responsibility of North and South Carolina. We therefore believe that this budget item should be restored to the 1984 level of \$4,723,000.

While there are no funds designated for the Japanese beetle quarantine portion of the 1985 APHIS budget (just as there were none in 1984), there remains a limited, but significant role for APHIS in coordinating the information on the natural spread of this pest. APHIS also has the responsibility to certify nursery crops free of Japanese beetle to meet the quarantine requirements for Canada, the principal foreign market for U.S. nursery plants. However, since the cancellation of chlordane for nursery uses on December 31, 1979, nurserymen have not had a pesticide, other than ethylene dibromide which is only used for emergency plant by plant treatment to meet Canadian import requirements. We very much thank the Congress for directing the ARS last year to continue research for at least two more years at Wooster, Ohio, which was designed to find a pesticide to replace chlordane for Japanese beetle quarantine certification needs. We urge ARS to continue pesticide tests initiated two years ago with both field and container-grown nursery plants with the hope that successful results will be obtained in the next year or two. If not completed successfully in this period, the Association requests that \$500,000

be provided from the ARS budget for APHIS Methods and Development activities to carry on the needed research.

The Association commends APHIS for its innovative efforts to maintain or improve its effectiveness in preventing the introduction of foreign animal and plant health pests not now in the United States. The Foreign Arrival Baggage Inspection and Port of Entry Inspection continues to be an important warranty against the unnecessary introduction of foreign agricultural pests.

COOPERATIVE STATE RESEARCH SERVICE

Once again, we wish to thank the Congress for continuing to maintain balanced funding of local, state and federal interests, personnel, program development, and administration, by appropriating an increase of about 5% in the State Agricultural Experiment Station (SAES) portion of the 1984 budget. However, for 1985, we support a budget increase over 1984 of 6%, or \$9.1 million for SAES research. Likewise, we would hope that the SAES Directors would allocate a corresponding increase for funding of research classified under Research Program Area 3:15 "Plants to Enhance the Environment."

We also want to thank the Congress for the continued funding of the Pesticide Clearance Program as well as the National Agricultural Pesticide Impact Assessment Program. The present ARS staff, in conjunction with Cooperative State Research Service and State Agricultural Experiment Station scientists, has done an outstanding job of credibly and factually documenting the benefit side of agricultural chemicals. In fact, a USDA regulation affirms the essentiality of this program in supporting the availability of agricultural chemicals for production agriculture. We urge Congress to approve the administration's budget request for these two programs at \$1,440,000 and \$2,069,000 respectively.

The Competitive Research Grants program authorizes competitively selected grants which are not to exceed 5 years duration to scientists not only at the SAES, colleges and universities, but also at other research institutions, including federal agencies. Through these grants, researchers from all segments of the scientific community can participate in the research needed to find solutions to critical problems important to all of the agriculture. Since

its beginning, the program has provided support for basic research in the plant sciences and human nutrition. The administration's 1985 budget includes a new program area -- bio-technology, including plants, animal and microbes. The research which results from these competitive grants will provide new information and technological advancements pertinent to increasing the productivity and efficiency of America's food and, we hope, other agricultural enterprises.

Although the Competitive Grants program may not distribute funds for research based on specific need, it should attract the attention of many outstanding researchers despite their lack of formal association with agriculture or agricultural scientists. This is particularly true in the area of molecular biology. Further major increases in production are not likely to come simply from increased use of fertilizer, pesticides, improved machinery, and other currently utilized cultural practices. These further advances are most likely to come primarily from biological inputs in the form of new knowledge and technology. As a result, a major thrust is needed in agricultural research to provide the basic knowledge from which, hopefully, further useful technology may emerge. We thus support the administration's budget of \$50 million for the Competitive Grants Program. However, we also urge Congress to coincidentally set maximum administrative costs that may be deducted from the grants by the scientist's institution/employer.

In supporting the Competitive Grants Program we would hope that research related to plants, such as nursery crops, which play a significant role in improving the quality of our environment, are included in the program. It is also strongly recommended that included with the scientists who serve on the peer panels each year are those who have a knowledge of horticultural crops in general, and nursery crops specifically.

EXTENSION SERVICE

The Association urges Congress to appropriate an increase of 6% or \$14.1 million over 1984 in the Smith-Lever (3b&3c) portion of the Extension Service portion of the 1985 budget. These base programs are essential to the economic viability of the farm and family, including nursery farmers. These funds will be allocated to activities identified by the States as high

priorities and will include systems approaches to production and management; marketing strategies for agricultural producers; improved financial management; and greatly improved conservation and use of soil, water, and renewable resources. We thus urge the Committee to provide adequate funding for extension formula programs to offset increasing costs and provide new programs.

Since chemicals remain an important agricultural pest suppression tool, continued evaluation of materials being used for this purpose is essential to the protection of America's agricultural products. Funds for this purpose are also critical to the ability of the Extension Service to alert nursery farmers and others as to the correct timing for application of pesticides in order to maximize their effectiveness of suppression. We thus urge Congress to add \$1,716,000 for the Pesticide Assessment portion of the Extension Service budget.

Thank you for this opportunity to present the views of the allied landscape and nursery trade concerning Agricultural Research.

BARNES-AASTAD SOIL AND WATER CONSERVATION RESEARCH ASSOCIATION, INC.

STATEMENT OF WILLARD R. MICKLISH AND JOHN F. STOCK, M.D.

Our association has appeared before this committee in each of the past 14 years in support of overall USDA-ARS research, and in particular in support of the ARS research conducted at the North Central Soil Conservation Research Laboratory, Morris, Minnesota. We wish to thank you for the privilege and opportunity to once again appear before you in support of the Laboratory's research program. As active board members of our association of interested farmers and businessmen, we speak to the concerns of the agricultural community located in the Major Land Resource Area in which the Laboratory is situated.

Federal budgets and budgetary policies have made it necessary for various agencies, including ARS, to develop strategic plans that establish high priority National goals and to cut overhead by streamlining administrative procedures. Budgets and employment ceilings are tight. Therefore, available resources at individual laboratories must be allocated to high priority research needs of producers and users.

In addition, ARS is planning or has been directed to plan and construct several new research laboratories with no increased staffing or funding authorized. This puts added pressure on presently available resources. We support the establishment of national goals and administrative streamlining for more efficient operations. However, present research facilities are staffed at only about 60 percent of capacity. We are concerned that continuation of present policies and construction of new laboratories will erode the research capability and productivity of the North Central Soil Conservation Research Laboratory. Present research facilities should be fully staffed before new facilities are authorized and constructed. Full staffing of existing facilities would allow them to most economically and efficiently accomplish their research mission.

The research program at the North Central Soil Conservation Research Laboratory at Morris, Minnesota, is directed to national and regional concerns that assist us in improving soil conservation and in increasing the efficiency of agricultural production. The research team at the Morris Laboratory conducts ongoing research to develop and evaluate systems to improve our ability to manage and conserve the nation's soil and water resources. Their program evaluates the effect of conservation tillage programs on preventing erosion while improving crop production efficiency by removing crop yield barriers. Their program also integrates systems for designing management strategies for alleviating offsite water quality and sedimentation problems in the most cost-effective manner. Such systems consider maintenance of proper soil and water conditions conducive to crop growth at our latitude by use of conservation tillage systems.

The research programs carried out at the Laboratory are often cooperative efforts with Agricultural Experiment Stations of the University of Minnesota, South Dakota State University and the USDA Northern Grain Insects Research Laboratory at Brookings, South Dakota. The Laboratory's history of research accomplishments is to be envied, yet much more remains to be accomplished.

As producers of agricultural products, we are concerned that future resources be allocated to insure improved crop production efficiency while maintaining our priceless agricultural soil base. It is essential that the United States maintain its dominant position in agricultural production while protecting and preserving its resources. As farmers, we are being asked to provide domestic and world food and fiber needs in the face of continually decreasing profit margins. This can only be accomplished through improved agronomic practices developed as a result of continuous, long-range basic agricultural research.

The productivity of the Morris Laboratory has been exemplary but has been restricted by budgetary and personnel limitations. These limitations must be removed. Therefore, we request that any future ARS plans for resource utilization result in complete staffing of the Morris Laboratory with fully qualified scientists of needed disciplinary backgrounds. Full staffing will make it possible for the Laboratory to more efficiently fulfill its mission and will have a major impact on soil erosion and the efficiency of crop production in the major crop producing states of the Midwest. We strongly urge this subcommittee to honor our request.

NATIONAL DAIRY HERD IMPROVEMENT ASSOCIATION, INC.

STATEMENT OF H. VICTOR JOACHIM, PRESIDENT

SUMMARY

I am H. Victor Joachim, President of National Dairy Herd Improvement Association, Inc., which represents 67,000 dairy farmers enrolled in the National Cooperative Dairy Herd Improvement Program.

National Dairy Herd Improvement Association believes the need for research is as great as ever! However, a re-direction of research funding priorities is badly needed to improve per capita consumption of dairy products. In the long run, government expenditures for research to expand markets is much more rational than purchases of surplus products.

Our projections for 1990 state dairy cow numbers in U.S. will be reduced from the current 11.1 million to 8.5 million; dairy farms, now numbering 300,000, will total only 142,000. The only thing which can prevent traumatic economic and political occurrence is an expanded market.

We believe Congress and the U.S. Department of Agriculture should strike out in a new direction as follows:

- (a) Funding for dairy product research and processing-distribution efficiency;
- (b) Support policies which encourage expanded dairy products markets.

STATEMENT

I am H. Victor Joachim, Corona, South Dakota. I farm about 560 acres at Milbank, South Dakota. I have a grade and registered Holstein herd of 160 animals, including 80 in the milking herd. Dairy herd improvement, artificial insemination, milk marketing, and dairy breed organizations all contribute to the success of my dairy farm operation. The U.S. Department of Agriculture cooperates with these organizations by providing research and educational programs which ultimately improve our dairy herd and farm operation. We regard these programs as extremely important and appreciate the support of the department.

I am President of National Dairy Herd Improvement Association, Inc., (National DHIA), which represents 67,000 dairy farmers enrolled in the National Cooperative Dairy Herd Improvement Program (NCDHIP). The NCDHIP provides computerized dairy farm management data; the program is the basis for national genetic evaluations; it provides information for sound artificial insemination and breed improvement programs. It is the basis for many research and education programs.

Dairy farmers in National Dairy Herd Improvement Association continue to appreciate the support of Congress and the administration for research in dairy and livestock production and marketing. Although dairy production efficiency has outstripped marketing efforts for several years, we do not believe reduced research is the answer.

A re-direction of funding to support dairy product research to improve per capita consumption of dairy products is badly needed. It now has become obvious to government and producers alike that balancing production against marketing becomes increasingly difficult when the market is stagnant! For several years, National DHIA, the dairy industry, and the Forum for Animal Agriculture (an alliance of 24 livestock organizations representing dairy, beef, swine, sheep, horses, poultry, dairy goats, and small meat animals) have been on record supporting "product research and distribution efficiency" as the highest priority research. In the long run, government expenditures for research to expand markets is much more rational than purchases of surplus products.

For a number of years, government policy has dictated a "hands-off" position regarding "product research and distribution efficiency." Meanwhile, the situation has gotten worse --- worse economically and worse politically.

The step needed is to expand markets by developing new products, improve the dairy industry's efficiency in distributing products, and abandon the obsolete marketing schemes which encourage the production of water and butterfat to the exclusion of quality pricing and sales (emphasis on protein and total components).

The government (both the U.S. Department of Agriculture and Congress) are deeply involved in supporting research policies and marketing policies which simply are not working! Markets must expand.

Without a complete change in philosophy, the economic and political situation will continue to get worse!

National DHIA, in trying to analyze the market for its services in the next few years, has developed a "1990 Concept." Here are some of our conclusions:

- (a) By 1990, current production of 12,316 pounds per cow per year will jump to 14,329.
- (b) Average herd size, currently at 38, will be 60.
- (c) Only 8.5 million cows will be needed to balance market needs; currently there are 11.1 million cows.
- (d) Only 142,000 dairy farms will be left; at present, there are 300,000.
- (e) DHIA cows will make up three-fourths of the nation's dairy herd.

The only thing which can prevent this projected traumatic occurrence is an expanded market!

We believe Congress and the U.S. Department of Agriculture should strike out in a new direction as follows:

- (a) Funding for dairy product research and processing-distribution efficiency;
- (b) Support policies which encourage expansion of dairy product markets, including higher minimum standards and component pricing.

PRODUCT RESEARCH

In recent times, the nutritional benefits of dairy products have been lost on consumers while huge ad campaigns sell children and adults alike on soft-drinks and beer.

Dairy farmers believe dairy product research is extremely important to the well-being of dairy farmers as well as to the long range benefit of consumers. Dairy products are an important source of high quality protein and other important nutrients; processing and distribution efficiency are as necessary to continued reasonable consumer costs as production efficiency.

What some dairy farmers fear even more than the lack of advancing production technology is the possibility of the reduction or loss of markets for their production. Because of this concern, National DHIA delegates enacted a resolution to support "protein or component pricing --- as a marketing system which emphasizes quality and product salability." When the marketing system is changed, even greater research is needed to ensure milk quality uniformity so consumers are assured consistent and high quality products. Although dairy foods make important nutritional contributions to the American diet, there are still gaps in our knowledge how dairy foods can contribute to optimum health. Further information is needed to make specific recommendations as to the best use of dairy foods in the diet.

Two major deterrents to long range break-throughs in efficiency of processing of milk and its products are: (1) the need to transport milk in its natural state (87% water); and (2) the need to refrigerate milk, which dictates a limited shelf life. Research to correct these deficiencies in distribution of dairy products is needed badly. Studies to determine how to "concentrate" milk (reduce the water content) at the farm level are essential to cut down transportation costs. In

addition, ultrapasteurization and aseptic packaging technology should be developed so dairy products can compete with other foods which remain safely on grocery shelves up to six months without deterioration.

Following is a complete listing of high priority dairy product research projects:

1. Milk Quality Uniformity

Research is needed to establish a milk dating system to make possible determination of the speed and magnitude of off-flavor development.

2. Concentration of Milk at the Farm Level

Research is needed to establish potential benefits for concentrating milk prior to shipment from the farm to reduce transportation energy usage.

3. Concentration of Whey at its Place of Origin

Energy savings are possible through new processing techniques, including freeze concentration technology for dairy products; research is essential.

4. Ultrapasteurization and Aseptic Packaging of Milk and Dairy Products

Research is needed to speed the development of ultra-high temperature sterilization of milk to reduce energy costs and improve shelf life of milk and milk products; study is essential to learn how to inactivate heat-resistant lipases, to establish optimum equipment and methods for ultra-high temperature processing, and to develop methods for predicting consumer acceptance of UHT dairy products.

5. Whey Utilization for Food and Non-Food

Whey and its chemical constituents currently are under-utilized, creating pollution problems upon disposal; research is needed to improve processing techniques of whey, to develop new procedures for conversion of lactose to lactulose, and to explore potential use of lactose as a constituent of urethane polymers; for development of new dairy products, continuing exploration of membrane technology is required.

6. Ultrafiltration of Milk for Yield Improvement in Cheese Manufacture

Continued research is necessary for economic improvement in cheese yields while maintaining satisfactory cheese quality by use of pH controlled lactic culture concentrates.

7. Milkfat Utilization

New research is essential to develop spreadability of butter; information is needed on milkfat composition in relation to cheese flavor and texture.

8. New and Improved Methods of Analysis of Milk Components for Quality or Deterioration

New research is needed to develop testing methods to identify efficiently antibiotics (other than penicillin) because of potential allergic reactions and cheese production failures; a farm test for penicillin in milk is needed; studies of production factors, contamination of dairy products, and deactivation involved in the presence of aflatoxin in milk are necessary; as protein has gained significance in marketing dairy products, additional research in identification and quantification or protein by means of gas chromatography and infra-red spectroscopy is warranted.

9. Genetic Engineering as a Tool to Improve Dairy Products

Encouraging research on *Streptococcus Cremosis* Plasmid DNA has demonstrated genetic engineering techniques make possible superior cultured dairy products; continued development is needed in this "frontier" research.

Since 1970, U.S. Department of Agriculture research on dairy products has been nearly eliminated. Only two scientists now are conducting research on dairy products, compared to 46 in 1970. Research on dairy products is extremely important. A good market for dairy products is central to a healthy dairy industry. Particularly, this is true as the industry and government attempts to deal rationally with surpluses created by an obsolete marketing system and attempts to create a new system and atmosphere for milk marketing in which quality and uniformity are emphasized! To be consistent, much research is needed. We hope funds can be made available to institute an effective research effort on dairy products.

Needed for dairy product research in the Fiscal 1985 U.S. Department of Agriculture budget for research-extension is \$4 million, but the real need is for government to establish funds to change the direction of marketing of dairy products in United States. A new atmosphere should be created in which quality, uniformity, and efficiency are stressed. We hope funds can be made available to initiate an effective research effort on dairy products. By so doing, markets conceivably can be expanded so the traumatic economic and political transition of 1990 can be minimized.

SOCIETY FOR RANGE MANAGEMENT

STATEMENT OF PETER V. JACKSON, EXECUTIVE VICE PRESIDENT

We appreciate this opportunity to present this statement to your Committee. The Society for Range Management (SRM) is interested in the activities and budgets of four agencies that report to you. Specifically, they are the Cooperative State Research Service (CSRS), the Agricultural Research Service (ARS), the Soil Conservation Service (SCS), and the Extension Service (ES). Our interest is based on the fact that these agencies are charged with research, education, and technical assistance of a vital natural resource -- our rangelands.

The Society for Range Management is a professional organization composed of individuals with a common interest in the study, management, and rational use of rangelands and related ecosystems. Members are ranchers, research scientists, government agency administrators, technical assistance personnel, educators, students, and people associated with related business and industry. We are involved with the management and conservation of public and private range which makes up over 50 percent of the land area of the U.S. Rangelands are vital to the U.S. economy in production of livestock, wildlife, water and recreation, plus a variety of other products beneficial to our society.

The SRM is cognizant of the catalysmic impacts of an expanding Federal deficit and supports efforts to reduce this deficit. Our concern is that rangelands receive priority status and the funding required to meet the present and future needs of society. Rangelands, along with associated grazed forests and pasturelands furnish 83 percent of the forage consumed by cattle, sheep, goats, and game animals. Grazing animals produced a \$51 billion dollar income or 40 percent of all farm production in 1980. The Joint Council's Needs Assessment states that forage indirectly accounts for 26 percent of all human food consumed in the United States.

We see increased pressure on range livestock producers who must successfully participate in an increased competitive marketplace. We also see an increased demand on both public and private rangelands to maintain a high quality environment while providing multiple goods and services. These pressures require better management technologies that cannot be developed without additional research efforts.

It is essential that choices of scientific endeavors be made with the greatest pay-off to the American people. We are convinced that ultimately the increase in production efficiency and conservation of our Nation's rangelands must receive priority in this quest. With this goal in mind, we encourage the increases in competitive grants as supported by the Users Advisory Board. We also support in principle the recommended national priorities proposed by the Joint Council for research, Extension and higher education for FY 1985. We recognize the need for basic biotechnology research, scientific expertise development, the maintaining of soil productivity, water management and forest, range, and pastureland productivity enhancement.

We support the Users Advisory Board's recommendation that the Secretary of Agriculture be delegated responsibility for managing a relevant competitive grants program. We urge, however, that a broad-based board of scientific advisors be appointed to provide long-term guidance to the USDA competitive grants program. The review panel membership should include distinguished natural resource ecologists and range scientists to assure broad application of new biological technologies.

The SRM supports the continuation of competitive grants research in plant sciences. Again, we urge that range scientists with plant ecology and physiology discipline backgrounds be included on the review panels for competitive grants. The range science community provides a cohesive and integrated base of disciplines involved in plant sciences and life sciences, especially ecology. The broadly based range science discipline serves as a foundation for natural resources sciences.

In order for the range research community to develop new knowledge and technology on a continuing basis, the SRM strongly encourages funding of Subtitle M of Public Law 97-98. Subtitle M, "Rangeland Research" was authorized in the Agriculture and Food Act of 1981 to improve productivity of the Nation's rangelands. To date, it has not been funded. Therefore, SRM recommends that the \$1 million reduction in the Antidesertification Research Program be utilized to support a \$1 million funding of Subtitle M "Rangeland Research" in the CSRS budget for 1985.

Mr. Chairman, we make these recommendations with the belief that the multidisciplinary nature of range science research and the use of a systems approach will

allow rapid integration of basic research findings into new technology applicable immediately to producers at the local level.

We make our recommendations with the understanding that the commitment to range research base of ARS, CSRS, FS, and other institutions will not be eroded.

For the above reasons, SRM strongly supports the proposed 1985 budgets and staffing for CSRS and the ARS. SRM again wishes to point out its interest and support of range and related research in their budgets as well as that of the FS. Even with the good efforts of these three agencies, there is a technology gap in range management information that requires attention both now and in the future. SRM wishes to work with all interested agencies for solutions to these research needs.

SOIL CONSERVATION SERVICE (SCS)

SRM notes there is a proposed decrease for SCS of \$126.6 million in FY 1985, or 21 percent less, than the 1984 budget of \$602 million. A decrease of 210 man years of employment is also proposed.

We are aware that the technical assistance portion of the SCS conservation operations included funding for several hundred range conservationists whose principal duties are directed to range and related activities. The leadership given by these trained professionals has been significant Nationwide. We urge you to continue these efforts. The Great Plains Conservation Program (GPCP) is another aspect that we believe should be continued at past levels. GPCP has been one of the most successful programs for increasing rangeland productivity and reducing erosion in our history. This, in turn, has bolstered the economy.

The SCS Plant Materials Centers play a vital role in finding and selecting improved plant materials for erosion control and conservation. We urge continued support of the plant materials program of the SCS.

SRM strongly supports the SCS objectives and program and is appreciative of the leadership it is giving conservation and use of the vital range resources. Therefore, SRM recommends that funding and staffing for the SCS be retained at or above the 1984 level.

EXTENSION SERVICE (ES)

SRM is specifically concerned with the funding of the Renewable Resources Extension Act (RREA). Along with many other groups and individuals, we supported the passage of this act in 1978. It was believed this act would promote and increase the on-the-ground use of modern cost-effective rangeland practices and technology.

RREA authorized \$15,000,000 per year for renewable resource extension programs. Although the Administration's budget has not included funding for RREA, Congress has funded this act at \$2,000,000 in FY 1982, 1983, and 1984. Congress is to be commended for recognizing this need, but now it is time to adequately fund the program.

To date, range has received only 10 to 11 percent of the \$2,000,000 of RREA funds annually. In FY 1982, the RREA funds were provided to 54 States and Territories. In FY 1983 and 1984, distribution of funds has been limited to 37 States. The States that were not provided RREA funds in 1983 and 1984 are: Utah, New Hampshire, Maryland, Vermont, Kansas, Nebraska, Connecticut, Iowa, South Dakota, North Dakota, Hawaii, Rhode Island, and Delaware. Many of the States not receiving RREA funding have large acreages of rangeland and a great need for application of modern range technology.

SRM urges FY 1985 funding of the full authorization of \$15,000,000 for RREA.

We thank you for the opportunity to file this statement on the budgets and staffing of these 4 important agencies.

NATIONAL URBAN FOREST COUNCIL

STATEMENT OF DONALD WILLEKE, CHAIRMAN, LEGISLATIVE COMMITTEE

My name is Donald Willeke. I am Legislative Committee Chairman for the National Urban Forest Council. I would like to indicate our support for the proposed increase in the Agricultural Resource Service (ARS) budget for fiscal year 1985.

The National Urban Forest Council is made up of 170 Urban Forestry leaders from all parts of the country. The Council was founded under the auspices of the American Forestry Association, and distributes a newsletter to 6,000 urban forestry enthusiasts.

The \$5.6 million increase in the Plant Science area of the budget is definitely a welcomed sight. Unfortunately, we can obtain very little information on how this increased spending might affect various items in plant science research. We have a special concern for research that improves the quality of urban plants.

The Council believes that the vegetation that collectively makes up the urban forest, is a very valuable natural resource. Nearly 80% of all Americans live in metropolitan areas, and the vegetation in and around these cities plays a significant role in the quality of their lives. Trees, shrubs, and green spaces in a community affect the physical environment by moderating climate extremes (which saves energy), reducing air pollution, screening unpleasant views, and reducing noise. Trees and other vegetation are also important for storm water management, erosion control, wildlife, and recreation. The list goes on and on, but the point is that the urban forest should be recognized as a vital part of the community -- environmentally, esthetically, economically, and socially.

Without question, the environmental conditions in urban areas are difficult and stressful for trees, shrubs, and other plants. There is a battle underway to improve the quality of urban plant material. This battle deserves a long-term commitment by the ARS. Improved landscape trees and shrubs developed at various research locations like the National Arboretum or the Delaware, Ohio Nursery Crops Laboratory better resist the stresses of soil compaction, nutrient deficiencies, moisture extremes, soil and air pollution, as well as the ever present mechanical damage to these plants. Although the value of urban vegetation around this country has not been tabulated collectively, it is indeed worth many billions of dollars. The value of the trees in two communities around the D.C. area have recently been inventoried. The urban forest in the city of Frederick, Maryland has been conservatively estimated at \$2.5 million; while the town of Somerset has an urban forest valued at \$1.5 million.

The value of ARS research can be demonstrated by the work that has been done with the Dutch elm disease. This disease has been the most destructive urban tree disease ever found in this country. It now occurs in over 42 states and has resulted in the loss of millions of elm trees. The value lost in this one species of tree alone is many billions of dollars. It has been estimated that residential property values decrease at a rate of \$430 per tree loss. Some cities like St. Paul, Minnesota spend over \$1 million a year in tree removal costs for trees damaged by this disease. The research at the Delaware, Ohio Nursery Crops Research Laboratory has made a significant contribution to the control of the Dutch elm disease. Work done at the National Arboretum has also helped fight this battle.

Studies in genetic improvement of plant material, especially trees, is long term and continuous work. Such trees must be tested over several years due to their size and life span, and

reductions or lapses in funding at any point in the study process can easily result in loss of the entire project. For these reasons, the National Urban Forest Council urges this committee to not only maintain adequate funding levels in the ARS plant science budget, but to also maintain conscious and substantial funding to specific project elements like urban tree research.

Thank you for the opportunity to submit this statement for the record.

NATIONAL PEACH COUNCIL

STATEMENT OF LILLIE E. HOOVER, EXECUTIVE DIRECTOR

BACKGROUND

National Peach Council, a nationwide non-profit association of peach producers and persons in allied industry, is requesting that more attention be given specifically to peach research in the Fiscal Year 1985 Appropriations Bill for USDA's Agricultural Research Service (ARS).

Peaches are grown commercially in 32 states. The first five states in peach production in a normal year are California, South Carolina, Georgia, New Jersey, and Pennsylvania. Peaches are a very important component of the American diet because they are an excellent source of vitamins, low in calories (38), high in fiber and contain no sodium or fat. Fresh peaches are the number one summer fruit and are available May through September.

In 1980 and 1981, peach production was approximately 3 billion pounds and valued at approximately \$360 million. The 1982 crop was damaged by early spring freezes and production was 2.3 billion pounds and valued at \$303 million. The 1983 crop was also damaged by early spring freezes and production 1.8 billion pounds valued at \$258 million. Something must be done about the economic loss to the grower, and the loss of a nutritional product to the consumer. Long and short term research is one of the answers to this problem.

REQUEST

It is understood from previous inquiries to ARS that there are no proposed increases for peach research for Fiscal Year 1985. We are asking for an increase of \$600,000 in the Fiscal Year 1985 Appropriations Bill for USDA's Agricultural Research Service specifically to support programs on research relating to peach tree short life (or decline) and winter injury. Both need basic research in the areas of cold hardiness, pruning, thinning, disease, and pest control. Research is also needed for the post harvest control of diseases that affect the quality and content of the peach. Lack of adequate research funds create problems with quantity and quality that economically affect not only the producer but ultimately the consumer.

Because agriculture in the United States is a collection of small businesses rather than large companies, no single farm or orchard can afford its own extensive research and development programs such as IBM, General Electric, or DuPont. Therefore, growers depend on state and federal facilities to fill this role of short and long term research needs for our industry.

PEACH TREE SHORT LIFE (OR DECLINE)

AND WINTER INJURY

THE PROBLEM

Peaches are the most widespread tree fruit grown commercially in the United States and they are in trouble throughout their range. Major tree losses in 1982 and 1983 occurred in the southeastern United States due to peach tree short life at an estimated loss of approximately \$50 million the last two years. In South Carolina alone, over \$44 million have been lost to "peach tree short life" since 1979. Major losses of peach trees have also been reported from winter injury in the northern states such as New Jersey, Pennsylvania, West Virginia, and Michigan.

THE CAUSE

Research does not point to one common cause for peach tree short life or decline. Peaches respond poorly to any kind of

wound whether it is from cold temperatures, pruning disease or insects. Peach trees that are stressed by poor nutrition, nematodes, poor soil conditions or drought become very susceptible to cytospora canker and lesser peach tree borer. Probably the most limiting factor to peach production in the north is cytospora canker.

In the southeast, the problem with peach tree short life involves an interaction between cold injury, bacterial canker, and the ring nematodes. This combination is making peach production potentially unprofitable in the southeast, even though peach acreage is on the increase in the south, tree life is only about eight years on the average. Since the voluntary cancellation of DBCP (registered nematicide) in March, 1981, the number of trees that die from peach tree short life has increased each year.

Each year all peach producing areas are susceptible to cold injuries and canker after being weakened by other factors such as nematodes, pruning, and poor rootstocks.

WHAT NEEDS TO BE DONE

The biological cause of peach tree short life and winter injury may be close to resolution but this does not give the growers a solution to long term peach production. We must have research that deals with reducing the stresses on the trees that are now producing fruit or will be in the near future. Three areas that need attention are; low temperature stress, disease resistance, and rootstocks.

Preliminary observations indicate that there is not enough genetic diversity in peaches to breed and select the type of trees that we are after. Many of the problems that cause peach tree decline or short life could be solved by the development of hearty, vigorous rootstocks that are resistant to the nematodes and diseases such as cytospora and bacterial canker. Also, varieties are needed that can survive the spring frost. The frosts that devastated the south in recent years are always a serious threat to the peach crop. Scientists or growers have not yet learned to control the weather. So therefore, their next best alternative is to produce a tree that can withstand the elements.

It is very important that we strive for long term solutions to our problem as well as working to solve the day to day problems. It is very important that cold resistant, pest and disease resistant varieties are started in the near future so that they will be producing at the first part of the 21st century.

At the present time, there is a negative image of fruit as it relates to pesticides in the environment. With this kind of public attitude, we must continually look to integrated pest management and other biological control; such as using bacteria to control frost and using fungi to control nematodes.

CONTROL OF POST HARVEST DISEASE

Peaches are a very perishable and delicate commodity. Their shelf-life is much shorter than bananas, apples, oranges and several other commodities. Post harvest diseases are one of the main reasons for shorter shelf-life. Basic research is needed on diseases that cause decay and deterioration to insure that the consumer can have the availability of the nutritious peach as long as possible during the season at a reasonable cost. Because the grower has already invested in the care, culture, and harvest of a peach crop, losses are much greater if post harvest disease such as brown rot ruins fruit which could have been sold. Stone fruit scientists all agree brown rot must be controlled. Some disagree as to the potential for a major crisis, but brown rot is a major concern in the eastern United States.

There has been progress made using a biological means to control brown rot fungus but more of these types of projects need

to be expanded. With so much national attention on proper diet and proper nutrition, the consumer will ultimately be the benefactor of any research that would prolong shelf-life or improve the quality of fresh peaches.

SUMMARY

The problems of dying trees from winter injury and nematodes and extending the shelf life to insure the consumer of a nutritious product are national problems. We know that no single individual speaks for national policy concerning peach research. We ask that the requested additional \$600,000 be coordinated with on going and similar federal and/or state projects in order to save money and avoid duplication. We expect ARS to provide funds to individual states as appropriate to support on going research projects. We also are very supportive of any special grants for peach tree short life in South Carolina and Georgia.

We commend this administration for their efforts to reduce federal spending to the very minimum. We are not asking for a hand-out - we are asking for an investment in American agriculture. Investments have paid handsome dividends in the past and consumers would ultimately benefit by having a continual supply of fresh peaches available over a longer period of time and at reasonable prices.

With cut-backs in state and federal research spending, it is very important that we not only look to short term solution, but to the long term also. We realize we must also begin to carry our share of the burden of research that will enable us to produce the quantity and quality of fruit necessary to maintain our livelihood and help feed the rest of the world. National Peach Council, the last two years, has budgeted several grants for on going projects at Clemson for improvement of quality and at VPI for chemical thinning. We plan to increase our grants in the future.

Before closing, we would like to take this opportunity to thank the subcommittee for being supportive of peach research programs in the past for both state and ARS facilities.

We ask that you give our request serious consideration. We thank you for allowing this statement to be part of the record.

USDA/ARS CHILDREN'S NUTRITION RESEARCH CENTER AT BAYLOR COLLEGE OF
MEDICINE AND TEXAS CHILDREN'S HOSPITAL, HOUSTON, TEX.

STATEMENT OF BUFORD L. NICHOLS, JR., M.D., SCIENTIFIC DIRECTOR

I would like first to express my appreciation for the confidence you have shown in the efforts of the Children's Nutrition Research Center.

This year, we are requesting an increase of \$2.7 million in our operating budget, for a total request of \$5.9 million in operating funds, and \$49 million for the construction of a permanent facility as part of the Fiscal 1985 appropriation to the Agricultural Research Service of the U.S. Department of Agriculture. As the only one of the nation's six human nutrition facilities without a permanent building, the construction appropriation is especially important to us. The increase in operating funds is also essential if we are to continue our progress in ongoing research projects.

As we have become increasingly involved in the cooperative programs of the Agricultural Research Service, which extends into the animal and plant sciences as they relate to human nutrition, I am increasingly convinced of the wisdom of Congress in establishing the scientific vehicle for helping our nation's agricultural producers meet the needs of consumers.

Ultimately, we believe our research will provide a stronger base for America's agriculture industry, from the corn grower in Mississippi to the grocery shopper in Manhattan.

The corn grower will plant and harvest the varieties that are shown to be highest in nutrition. The housewife will seek the products that offer greater health to her family.

The result can only lead to better nourished, healthier Americans. That is our objective at the Children's Nutrition Research Center. And that is the common objective of our nation's farmers and ranchers. So we are all part of the same task force working toward common goals. Through the future benefits of child nutrition research, our farmers will make a major contribution to reducing national health care costs by producing the crops that insure healthy Americans.

I will try to illustrate some of the aspects of our cooperative research effort within the ARS program, but first I would like to thank the Subcommittee for its support in moving forward in our specific area of children's nutrition.

Especially, I would like to address the plans for constructing a permanent facility for the CNRC, which are progressing rapidly because of the Congressional appropriation, originating in this Subcommittee, for architectural and engineering work. Based on the feasibility study and preliminary assumptions, as we have outlined to the Subcommittee in previous years' testimony, we have moved expeditiously in 1983 and 1984.

Baylor College of Medicine and Texas Children's Hospital have made available a prime site in the Texas Medical Center, for a 100-year lease at \$1 a year, to the Department of Agriculture for the building's location. The site is adjacent to Texas Children's Hospital. The hospital and Baylor College of Medicine have agreed to provide a number of support services for the building, which will increase its efficiency and reduce construction costs.

Cooperation between the hospital, Baylor and the Department of Agriculture has been excellent. Initial surveys and facility studies have been provided at no cost to the government. Terms of the long-term ground lease agreement have been worked out to the mutual satisfaction of all parties. Architectural and engineering design projections will allow a construction contract to be awarded within the first quarter or early in the second quarter of the 1985 Fiscal Year. The cost of the actual construction has been reduced by one-third, based on the projection made in the building feasibility study three years ago, and is now estimated at \$49 million. The timing could not be better from the standpoint of the construction industry in the Houston area, where a highly favorable bidding situation should result in the lowest possible construction cost.

While our timetable for this facility has been delayed somewhat from original projections because of budget restraint in recent years, we believe that with the appropriation of construction funds this year, we can still occupy the building by 1988.

The speedy completion of the new facility is extremely important to the Children's Nutrition Research Center mission, as directed by the Congress.

We are now in our sixth year of research and I am extremely proud of the scientific base that is being developed to provide guidance to our agricultural industry in the production of food that will insure greater health for future generations.

In no other segment of society is nutrition as important as for infants, children and their mothers during pregnancy and lactation.

Ten years ago we first presented congressional testimony about the importance of expanding the knowledge of nutritional requirements of these important members of our society. During the past six years we have developed a solid foundation for investigating nutritional needs in normal infants and lactating women.

Although the Children's Nutrition Research Center is part of the Department of Agriculture, our efforts are closely coordinated with other federal agencies involved in nutrition research.

In establishing the CNRC, Congress mandated that the research program be consistent with efforts of the National Institutes of Health (NIH) and that there be close coordination with the National Institute of Child Health and Human Development (NICHD).

The first step in implementing this directive was a Memorandum of Understanding between the USDA, NICHD, Baylor College of Medicine (BCM), and Texas Children's Hospital (TCH) in Houston. The document created an Executive Committee composed of one representative from USDA, NIH, BCM and TCH, which provides administrative policy guidance for the research performed by the CNRC.

In the memorandum, the NICHD agreed that the Center is eligible to compete through the competitive peer review systems of the NIH for research support.

The Children's Nutrition Research Center has had eight reviews by outside scientists who examined the scope and the quality of research. By having NICHD representation at both the meetings of the Executive Committee and reviews by the Council of Scientific Advisors, the NICHD has been active in both research and administrative actions of the Center.

Agreements at the national level provide coordination between nutrition of the Agriculture Research Service and the clinical nutrition research of the NIH. These areas are defined:

Nutrition Research is the study of how humans utilize food, including the identification of deficiencies, toxic effects of foods and the prevention of disease caused by improper diet.

Clinical Nutrition Research is the study of how disease affects nutrition in humans and to determine the proper diets during various types of illness.

Based on these definitions, the CNRC does not conduct clinical research under USDA support. However, human nutrition research does not have a clear boundary separating basic from clinical studies. Diseases sometimes provide a model for investigating nutritional needs, especially if procedures require disturbing the comfort of the subject. The Center follows NIH guidelines on human investigation, which were published in the Federal Register on March 8, 1983 entitled, "Additional protections for children involved as subjects in research." The regulations impose responsibilities on investigators depending on the degree of risk and the extent that the research is likely to benefit the subject. Because the Center's mission is directed toward normal nutritional needs, all risk or inconvenience must be at a minimum. However, to determine the accuracy of our non-invasive stable isotope studies, we must also study children who are ill and are being treated by intravenous infusion, bladder catheter or gastrointestinal tube. These procedures allow sampling to take place within a context of expected benefit to the subject. About 15 percent of the Center's activities involve these techniques in children whose illness allows them to become "a model system" for the validation of nutrition studies in normal children.

Center investigators thus rely on research funding from the NICHD and other NIH Institutes for the conduct on clinical nutrition research as indicated in the above definition, with funding obtained through competitive mechanisms of NIH.

It may be also useful to reflect on both the accomplishments and the challenges before American agriculture as it addresses the food needs of present and future generations.

First I would like to address the current knowledge of nutritional requirements. Dozens of nutrients have been identified as necessary for man. Specific times of varying nutrient needs are subdivided into ten periods of the life cycle. Eight of these periods fall within the mission of the Children's Nutrition Research Center, and little scientific data exists for many of the nutritional requirements of infants, children and mothers.

We have already made progress in such areas as determining total fat needs for lactating women, and starch for infants 0 to 6 months of age. We also have demonstrated that energy requirements of infants 0 to 6 months of age depend on whether they are breast-fed or bottle-fed. We have determined that phosphorus is essential for premature infants and that sodium can be a limiting nutrient in the breast-fed infant 0 to 6 months of age.

These findings are only a beginning, however, in relation to the job still to be done. Our work must be expanded considerably if we are to achieve the Center's mission.

The strategy for expanding the research to reach our goals is outlined in the attached chart. This plan has been prepared by the Center program directors and has been reviewed and approved by the Council of Scientific Advisors.

The Council is made up of six prominent outside authorities on children's nutrition needs who review the quality of ongoing work and that planned in the future.

The administrative and scientific reviews assure a system of checks and balances for our work. The plan of research is not just something we at the CNCR think should be done. It is work that an international panel of child nutrition authorities see as the most needed. Their input assures that our plan for development is correct and that it stays on target. As I mentioned earlier, it is fully coordinated with NIH and NICHD.

The plan is based upon the assumption that we will occupy a permanent facility in 1988. Interim expansion is based on using existing space at Baylor College of Medicine, the Texas Children's Hospital or elsewhere in the Texas Medical Center. The sequence of expansion is carefully integrated so that subsequent programs will build on those already in place.

Our request for increased operating funds in the 1985 budget is based on this plan. We have considered the mission of the Center and its relationship to the overall ARS program. Projected requirements for the 1985 budget are \$5.9 million. The only area of expansion is the study of the nutrition needs during pregnancy. We request \$1.5 million for this program.

Pregnancy studies will extend the Center's research from the time of a child's conception through the first year of life, the period most sensitive to diet. Nutrition during pregnancy has been given top priority in all government recommendations of needed nutritional research.

Nutrition during pregnancy relates directly to many food programs in this country and abroad. Existing support from private and public sectors permits only fragmentary research of this issue. Only a stable, long-term program will provide the scientific evaluation necessary to get results.

The success of this human investigation depends on the use of non-radioactive stable isotopes as markers to trace nutrient transfer from the mother to the fetus. Stable isotope research facilities already exist in the Center. Many of the experimental concepts have been tested previously in animal studies. Only the use of stable isotope techniques will allow these investigations to be carried out in man. Basically, we will be able to find out precisely what foods a pregnant woman needs to eat to deliver a healthy baby.

Finally, I would like to discuss the way we integrate the CNCR mission with other ARS programs.

Since the incorporation of human nutrition centers into the Agriculture Research Service, effective two-way communications have been established between human nutrition scientists and other agriculture scientists.

For example, we are trying to learn how infants absorb nutrients from foods they are commonly fed. We prepared an infant formula enriched

in Carbon 13, the stable isotope of carbon. To prepare the formula, we sought the knowledge of plant physiologists about the photosynthetic differences between corn and other fodder and grains. Because of these photosynthetic differences, corn has less discrimination against the atmospheric Carbon 13, which results in an enrichment of the carbohydrate in this plant.

In a preliminary study we fed corn cereal to young infants and learned for the first time that they can digest and absorb the energy from corn starch.

This was shown to depend on digestion of the starch in the colon, a process recognized in other non-ruminant mammals but not previously suspected to be the case in humans.

Building from that experience we worked with other ARS scientists in milk production, and by feeding a high corn diet to cows produced a milk enriched in Carbon 13. This milk was then processed in Beltsville at the Eastern Regional Research Center to get purified cow's milk protein and carbohydrate. These purified samples were provided to a commercial company, Ross Laboratories, to use in preparing formulas identical in all chemical and technical respects to those fed the normal human infant.

By substituting the high Carbon 13 protein and carbohydrate milk samples in the ordinary infant formula we will be able to determine how well an infant digests and absorbs energy from the purified cow's milk samples. The process can be done with non-invasive tests in normal infants by collecting and analyzing breath samples to determine the amount of Carbon 13 carbon dioxide. These experiments are possible because of the stable isotope facility in our Center.

I believe this project exemplifies the scientific linkage that our Center has with plant producers, animal scientists, and post-harvest technologists in ARS. It also exemplifies the reason why ARS can and should be in the human nutrition research leadership role.

We are proud to be a part of this team.

We appreciate the Subcommittee's support of our efforts and we are confident that the ultimate results will more than justify the investment in the nutritional future of our nation's children.

Thank you.

FY	'85	'86	'87	'88	'89	'90
PREGNANCY						
LIPID						
MICRONUTRIENT						
BRAIN & BEHAVIOR						
ADOLESCENCE						
ANIMAL MODELS						
\$ Y	26	28	29	35	42	50
◻	26.6	29.6	32.6	39.6	47.1	54.0
\$	5.0	6.7	8.1	9.1	10.7	12.5

TUSKEGEE INSTITUTE SCHOOL OF VETERINARY MEDICINE

STATEMENT OF WALTER C. BOWIE, D.V.M., PH.D., DEAN

INTRODUCTION

The Tuskegee Institute School of Veterinary Medicine proposes to revise its instruction, training and service programs relating to food-producing animals so as to serve better the needs of the region. In order to undertake this more comprehensive role, the school is requesting \$6 million dollars for the construction of a veterinary facility under Section 1415 of the Food and Agriculture Act of 1977, P.L. 95-113. This legislation permits the Secretary of Agriculture to conduct a program of grants for the purpose of establishing or expanding existing schools of veterinary medicine. Tuskegee seeks to develop a regional food animal institute designed to address:

- (1) the major concerns of livestock losses due to diseases;
- (2) the problems of black and limited resource farmers of the black belt region;
- (3) the need for more and better trained minority veterinarians, and
- (4) the need to undertake a comprehensive research program designed to transfer modern biotechnological changes occurring in the livestock industry.

I. RATIONALE

The United States is now three generations removed from the era when 50 percent or more of its population lived on the farm. Agriculture is able to feed the United States population on about 16 percent of its disposable income, and the animal industry is responsible for 50 percent of the total farm income. The total annual dollar value of agricultural crop sales in this country is slightly over 70 billion dollars.^{1/} Meat contributes over 1/3 of the energy, almost 3/4 of the protein, most of the calcium and phosphorus and a substantial portion of most other nutrients consumed by Americans.

While agriculture is a major industry in Alabama, Georgia, Mississippi and other Deep South States, losses suffered by animal producers are still staggering. National studies indicate that at least 20 percent of livestock income is lost to disease and reproductive failure. These losses cost the American farmer, and thus the American public, nearly \$17.5 billion annually.^{2/} Significant reductions in these losses are essential if the sale of livestock products is to continue to provide 50 percent of the annual farm income, and the essential nutritional needs of our people.

II. A REGIONAL FOOD ANIMAL INSTITUTE AT TUSKEGEE INSTITUTE

A major question that could be raised at this point is "Why at Tuskegee Institute?" Space limitation does not permit full explanation of this question, however, I will briefly mention at least three contributing factors. They include (1) Tuskegee's proven high level performance as a School of Veterinary Medicine, (2) Tuskegee's uniqueness in recruiting and serving specialty clientele,

and (3) Tuskegee's regional focus for training and service in the field of veterinary medicine.

A. Uniqueness of the School

The Tuskegee Institute School of Veterinary Medicine has an admirable history of being the only veterinary program located on a predominately black college campus. Its focus on training blacks and other minority veterinarians has earned the school an international reputation, having trained over 90 percent of black American and foreign veterinarians from the developing countries who have studied in this country. Even though other veterinary schools have made sincere efforts to increase minority enrollment, Tuskegee still enrolls 75 percent of all black students in veterinary medicine. Despite Tuskegee's efforts, the profession still has the smallest (1.6 percent) representation of blacks among health professions.^{3/}

Due to its institutional commitment and location in the midst of the Black Belt, the Tuskegee School of Veterinary Medicine has placed a special focus on providing rural development services. In its attempt to improve the quality of life for an appropriate and needy constituency, Tuskegee Institute has focused its strategy on black and limited resource farmers. Small and limited resource farms make up the majority of the United States farms, although they now produce only a limited portion of the overall United States crop and livestock. It is this segment of the agricultural industry which is severely affected by fluctuations in the economy and damage due to widespread animal disease.

According to a United States Department of Agriculture (USDA) Task Force Report on black farm ownership, the United States farm sector has been divided into two groups. At one extreme, with annual sales over \$100,000, are 198,000 highly capitalized operations - about 12 percent of the total - that account for 70 percent of all agricultural sales and realize nearly all of the agricultural sector's net farm income. At the other extreme, with annual sales under \$40,000, are 1.7 million farms - over 70 percent of the total - that account for roughly 13 percent of all agricultural sales and operate at a net loss. The great majority of black-operated farms falls into this second group.^{4/} The mean value of products sold by black farmers was \$8,000 in 1978, compared with \$44,000 for white farmers. Nearly three-fifths of all black farmers sell under \$2,500 in products. Many of these are part-time farmers, but over half are people who report farming as their principal occupation. Even with the best profit margins, it is difficult to make an adequate income with less than \$20,000 of gross sales.^{5/}

B. Regional Considerations

In addition to its clear mission in society, the School of Veterinary Medicine began with a well defined geographic focus. Since 1948, Tuskegee has been a member of the Southern Regional Education Board (SREB) with the responsibility to provide regional veterinary medical training of black students in the South. Through this arrangement the School of Veterinary Medicine at Tuskegee trained students from twelve states, Alabama, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. Currently, the school maintains contractual agreements with Arkansas, Mississippi, Kentucky, Alabama, Georgia, South Carolina, West Virginia and New

Jersey. It should be noted that these agreements are no longer limited to the training of only black students from the participating states.

As a result of its own affirmative action efforts and due to the changing SREB arrangements, Tuskegee's student body has become the most diverse among veterinary schools. In academic year 1982-83, Tuskegee enrolled 226 veterinary students from 29 states and the District of Columbia. Included in these 29 states were all the twelve states participating in the original SREB agreement and the additional southern states of Arkansas, Delaware, Oklahoma, and Texas. Its graduates are located in 45 states and the District of Columbia; thus, Tuskegee is a national resource.

III. OBJECTIVES

The specific objectives of the new and/or revised program will be:

1. To establish within the School of Veterinary Medicine at Tuskegee Institute A Regional Institute for Food Animal Production, Research and Service. Here, the major focus will be on the applied aspects of research, instruction and management which show the greatest promise for increasing food animals for human consumption.
2. To expand facilities which assist with the care and preventive medical care of food-producing animals, particularly small ruminants and other minor species.
3. To focus the training, research and outreach efforts of the Regional Institute on the emerging career opportunities in the animal food production enterprise.
4. To develop a fully coordinated and comprehensive regional program of work with the participating institutions. Tuskegee Institute is a member of a consortium of eight minority health professions schools; The Meharry Schools of Medicine and Dentistry, The Morehouse School of Medicine, The Charles R. Drew Post Graduate School of Medicine, and the Schools of Pharmacy at Florida A & M University, Texas Southern University and Xavier University (New Orleans). Significant collaborative research affecting both man and animals could take place through this consortium.

IV. PROGRAM OF WORK

A new facility will improve service to the region in several ways. The facility will permit an improvement in the services that the school currently provides to farmers throughout the Black Belt region of the Deep South. In its Task Force Report on Black Farm Ownership, USDA also recognized that, with few exceptions, little research has been specifically focused on the needs of small black farmers. The exceptions that the report cited were those projects that were carried out at Tuskegee Institute and the limited small farm research program of the Agricultural Research Service. The report recommended that USDA and cooperating institutions, like Tuskegee, continue research directed at developing additional enterprises and enterprise combinations suitable for production on

small black farms and work to promote the adoption of such enterprises.^{6/}

The school must play a role in bridging the technology gap between the limited resource small farmer and recent advances in biotechnology that hold promise of improving animal health. Diseases affecting minor species and other livestock throughout the South can cause major economic losses and reduce food production at a time when both the population and the demand for meat are growing. It seems clear that recent advances in biotechnology can solve some of the current animal disease problems. These advances include the production of recombinant DNA and synthetic peptide vaccines to prevent disease, the development of monoclonal antibodies to diagnose infection and offer passive immunity, the creation of improved feed crops and additives to improve animal nutrition, and the large scale manufacture of growth hormones to speed animal maturation.^{7/} Such advances should help farmers produce more food for more people and Tuskegee can plan a distinctive role in this effort through the proposed new program thrust as presented herein.

A USDA funded facility will permit the development of a comprehensive institute for small ruminant and minor species study and service. Such an institute will improve the quality of the school's research and academic program and thus strengthen its case for continued accreditation. The Council on Education of the American Veterinary Medical Association reviews the school's qualifications for continued accreditation on a periodic basis, and the school's next review is scheduled for 1986. The school must demonstrate the most current instructional, research and service programs to keep from jeopardizing its accreditation. Thus, accreditation is another compelling reason for a new facility and a new program thrust.

V. BUDGET

The Tuskegee School of Veterinary Medicine is requesting \$6 million for a facility that will permit its faculty to provide instruction, carry out research and offer veterinary care focusing on small ruminants and some minor species. Tuskegee proposes that the funding be provided in two Congressional appropriation cycles: \$2 million in the Fiscal Year 1985 for planning and initial program staffing and \$4 million during Fiscal Year 1986 for construction and equipment purposes.

Tuskegee Institute is a privately controlled state-related institution. As such, the institution does not receive state support but, rather, state assistance. Under these conditions it is unlikely that Tuskegee Institute could secure matching funds for this program from the State of Alabama. Therefore, it is urgently requested that the matching requirement stated in the law be waived in the case of Tuskegee Institute.

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1. Association of American Veterinary Medical Colleges-Council of Deans, Biotechnology for Animal Health, Winrock International Conference Center, Morrilton, Arkansas, November 8, 1983, p.2.
 2. Ibid, p.3.

3. Hanft, Ruth, S., Linda E. Fishman and Windy J. Evans. Blacks and the Health Professions in the 80's: A National Crisis and a Time for Action. Prepared by the Association of Minority Health Professions Schools, June, 1983, p.x.
4. Report of the USDA Task Force on Black Farm Ownership, United States Department of Agriculture, September 22, 1983, p.4.
5. Ibid, p.10.
6. Ibid, p.86.
7. Congressional Research Service, Animal Sciences: Advances in Reproductive and Health Technologies, Transmitted to the Committee on Science and Technology, U.S. House of Representatives, October, 1983, p.2.

COLLEGE OF AGRICULTURAL SCIENCES, TEXAS TECH UNIVERSITY

STATEMENT OF DR. SAM E. CURL, DEAN

SUMMARY

USDA-ARS Plant Stress and Water Conservation Cooperative Research Funding and Construction Authorization for the Plant Stress and Water Conservation Laboratory in cooperation with Texas Tech University and the Texas Agricultural Experiment Station.

SUMMARY OF ACTIONS TO DATE

In fiscal year 1977, Congress appropriated \$100,000 to initiate a feasibility study to determine the most appropriate size, program and location for the Plant Stress and Water Conservation Laboratory initially identified in Senate Document 59. That feasibility study was delivered to the Congress in March, 1978. In fiscal year 1979, Congress appropriated \$800,000 to initiate planning for the research program and proposed facility in cooperation with Texas Tech University at Lubbock. In fiscal year 1983, Congress appropriated \$500,000 to complete planning for Phase II and to finalize all plans and cost estimates needed for construction of the proposed laboratory. The research program plan, the facility program amendments and the architectural plans and specifications for Phase I of the laboratory have been completed. Completed plans and final estimates for construction costs for Phase II are expected by August 15, 1984. A cooperative USDA-ARS research unit is in place in Lubbock occupying temporary space on the campus of Texas Tech University and at the Texas Agricultural Experiment Station site north of Lubbock. In fiscal year 1980, Congress appropriated \$200,000 to initiate basic research. The Congress appropriated \$400,000 for the research program for fiscal year 1981, \$450,000 in fiscal year 1982, \$750,000 in fiscal year 1983, and \$750,000 in fiscal year 1984.

SPECIFIC ACTION REQUESTED OF THE COMMITTEE

It is proposed that Congress continue to recognize the urgency of the research indicated by appropriating funds at the level of \$1,000,000 over the current budget allocation of \$750,000 (\$525,000 Base Funds plus \$225,000 Formal Budget Funds) to this project to continue and strengthen the plant stress and water conservation research program. These funds are to be directed for cooperative research in plant stress and water conservation at Lubbock Texas involving USDA-ARS, Texas Tech University and the Texas Agricultural Experiment Station. The funds will be used to increase the research effort and to provide a core of scientists which will form the base for a more comprehensive plant stress and water conservation laboratory which has been planned at Lubbock, Texas.

We further request the Congress to appropriate funding in the amount of \$24,000,000 for construction of the Plant Stress and Water Conservation Laboratory. This laboratory would be constructed on a fifty-four acre tract of land on the campus of Texas Tech University. The Board of Regents of Texas Tech University has authorized the lease of this land to the federal government for the purpose indicated. While recognizing the urgency for reduced federal spending, we believe the investment in this facility is one in which very visible and tangible benefits will be realized within a decade. The full thrust of the research program cannot be realized until the highly specialized facilities included in the laboratory are in place and ready for use by the scientists.

The proposed laboratory represents the most advanced architectural and engineering technology available and will be energy efficient and cost effective. An estimated savings of approximately \$2,000,000 will be realized if the facility is fully funded in fiscal year 1985. This is not to mention the time saved in accelerating the full scale buildup to attack the urgent problem. Construction cost escalation will likely continue so that a delay beyond fiscal year 1985 would represent a significant increase over the \$24,000,000 projected if construction were delayed past December, 1984.

INTRODUCTION

Mr. Chairman, I greatly appreciate the opportunity to appear before the Committee today on behalf of needed agricultural research in the area of plant stress and water conservation. This vitally needed research is encompassed in the comprehensive nationwide research mission of the U. S. Department of Agriculture-Agricultural Research Service (USDA-ARS). An intensified research program will implement the recommendations of the Plant Stress and Soil Water Conservation feasibility study prepared by the USDA-ARS.

The background setting for the problem which the proposed research addresses is found in Senate Document 59, the feasibility study conducted by the Science and Education Administration of USDA in 1977, and the statement of Texas Tech University submitted for the record before this committee on March 26, 1979. We will not repeat this information, as we believe the record is replete with scientific and economic documentation which describes the conditions of the region and the research required to seek viable solutions to a complex set of critical problems confronting agriculture and natural resource conservation throughout the Great Plains, the semi-arid southwest and arid and semi-arid lands throughout the world. Water availability and quality continue to be limiting factors

affecting the growth and cultivation of existing crop species. This underscores the urgent need for new varieties of drought resistant food and fiber crops for areas where non-rechargeable groundwater reserves are declining, energy costs are increasing, and natural precipitation--even though limited--could be used more efficiently.

The national thrust to seek out all viable strategies for conserving energy in agriculture has amplified the urgency to seek more energy- and water-efficient strains of plant materials and improved soil and water management practices. The need for a comprehensive, multidisciplinary, long-term basic science research program is obvious. Texas Tech University has taken the lead to work to develop a cooperative program with the U. S. Department of Agriculture-Agricultural Research Service, the Texas Agricultural Experiment Station, agricultural colleges and universities throughout the region, agricultural producers, the agribusiness industry and private research organizations.

BACKGROUND

The key planning events involving Texas Tech University which have taken place in conjunction with the development of the research program and laboratory to date are as follows:

- 1975-1976 Preliminary discussions with officials of the U. S. Department of Agriculture and members of the Congress.
- 1977-1978 Congress appropriated \$100,000 for a feasibility study. The study team concluded that there was indeed an urgent need for a plant stress and water conservation research program and that Lubbock, Texas, was the ideal location for a laboratory facility. A later decision to locate the facility on the campus of Texas Tech University, in conjunction with the College of Agricultural Sciences, finalized the first major step in the development of the program.
- 1978-1979 Congress appropriated \$800,000 for the preparation of a research program plan and architectural and engineering plans for the appropriate laboratory in which to carry out the proposed research. These plans have now been completed for Phase I. The structure will contain about 67,000 square feet of research space and will cost approximately \$24,000,000 for construction. The facility contains space for twenty-two scientists, with accompanying greenhouses, headhouses, growth chambers and storage units.

The Science and Education Administration in August, 1979, transferred a USDA scientist (plant physiologist) to Lubbock, Texas, to serve as a cooperative scientist working with Texas Tech and Texas Agricultural Experiment Station scientists on environmental stress mechanisms in sorghum and cotton. Currently, Texas Tech is providing office and laboratory space for five USDA-ARS scientists who, together with Texas Tech scientists, are actively working in the research program. In addition, the University provides use of the library, computer and other University facilities as well as extending full faculty privileges to the USDA-ARS scientists.

- 1983-1984 Congress appropriated \$500,000 for preparation of the architectural and engineering plans for Phase II of the laboratory, for review and finalization of all plans, and for development of final construction estimates. These plans and final cost estimates are expected to be completed by August 1, 1984.

RESEARCH PROGRAM

Funding of the Cooperative Plant Stress and Water Conservation Research Program

	<u>Base Funds</u>	<u>Formal Budget Funds</u>	<u>Congressional Add-on Funds</u>	<u>Total Funds</u>
1980	\$ -0-	\$ -0-	\$ 200,000	\$ 200,000
1981	200,000	100,000	100,000	400,000
1982	400,000	50,000	-0-	450,000
1983	525,000	225,000	-0-	750,000
1984	525,000	225,000	-0-	750,000
1985				
REQUEST	525,000	225,000	1,000,000	1,750,000

RESEARCH ACTIVITY TO DATE

Through fiscal year 1984, Congress has appropriated a total of \$3,950,000 for cooperative research in plant stress and water conservation. Scientists from USDA-ARS, Texas Tech University, and the Texas Agricultural Experiment Station have initiated studies within the framework of the research program plan developed to guide the orderly, systematic and effective search for the information needed to solve the problems identified in this statement. The research team is making progress in better understanding the relative importance of various developmental and physiological responses of plants to soil water deficits and to atmospheric drought. A substantial amount of research has been initiated

in the genetic improvement of grain sorghum and cotton. These crops can be grown in areas of limited rainfall. Research currently underway includes:

Soil-Root-Water Area: Research projects are designed to define the effect of the soil environment on rooting patterns (depth and root density) of sorghum and cotton as related to soil water extraction and water use efficiency. Soil environment is defined as a function of soil type, soil nutrient status and soil water status. These experiments should provide a definition of the ideal root system necessary to exploit the maximum soil volume with the least expense to the plant in terms of non-harvestable dry matter.

Soil-Plant-Atmosphere Area: Research projects are designed to delineate the major factors involved in determining photosynthesis: transpiration ratios of both sorghum and cotton. The role of the physical environment (evaporative demand and soil water supply) and the plant response (stomatal conductance to water and the photosynthetic rate) will be defined. The research is designed to identify the minimum level of leaf conductance necessary to support maximum photosynthetic activity in each specie under a wide range of soil water conditions.

Physiological Area: Experiments are designed to evaluate the utility of certain drought tolerance mechanisms. Of prime concern is osmotic adjustment resulting in turgor maintenance. The effect of increased osmotica on cellular metabolism is unknown, and will be defined with respect to chloroplast function. The major site of stress effects also will be defined as a function of source activity or sink activity. Important sinks include new leaf development, root development and fruit development. At present we do not know whether environmental stress affects the source directly or if the observed response is due to an indirect effect resulting from reduced sink activity. Prior to exploration of genetic variability and genetic manipulation it is essential to define the site of direct stress effects.

Results from the initial studies are extremely encouraging. This work has been conducted using existing Texas Tech University and Texas Agricultural Experiment Station space and facilities. This represents a substantial effort and demonstrates an extremely efficient use of the federal and state funds expended. Essentially every state in the Great Plains has devoted some scientific effort toward developing technology to conserve our water resources and utilize that water which is available more efficiently in crop production. However, due to the disaggregation of scientists, large environmental differences between research locations, and the diversity of plant responses elicited by water stress, there appear to be no major breakthroughs on the horizon. A unified research effort toward understanding and resolving the problem is necessary. To accomplish this effort, it will require additional funding, scientists and a highly specialized research facility.

With additional funds appropriated by the Congress, the cooperative research program developed by the U. S. Department of Agriculture-Agricultural Research Service, the College of Agricultural Sciences at Texas Tech University, and the Texas Agricultural Experiment Station will be fully developed.

MAJOR BENEFITS OF THE RESEARCH PROGRAM

1. Substantial reduction in the water and energy requirements for the production of quality food and fiber crops throughout the semi-arid southwest.
2. Development of germplasm of major grain and fiber crops which possesses superior resistance to adverse environmental conditions and yet maintains an inherent high yield potential.
3. Development of the basic principles essential for the design of soil and crop management systems to conserve and make available during the growing season greater amounts of precipitation and to enhance the production of more stress-tolerant plants.
4. Maintenance of a high level of agricultural production throughout the Southern Great Plains, thereby preventing (a) the collapse of an important, highly-developed agricultural region and (b) the attendant economic, social and environmental problems which would ensue.
5. A substantial contribution to the national effort to enhance the productivity of American agriculture, thereby increasing the availability of feed grain and natural fiber commodities for sale to foreign markets.

As water efficiency of the key commodity plants is increased through the research program, less irrigation water per unit of crop yield will be required. Each inch of natural precipitation captured and stored in the soil will be used more efficiently. By substantially reducing the need for irrigation water, fuel and labor costs associated with irrigation will be decreased. If the plants perform under dryland conditions at a higher level of efficiency, the farmer's net earnings, assuming reasonable commodity prices, should be favorable. It is projected that the research encompassed by this program would result in a minimum 15% increase in water use efficiency.

THE PROPOSED LABORATORY

The feasibility study conducted by USDA recommended that a major research effort consisting of a central laboratory and support facilities be located on the campus of Texas Tech University. Three primary research thrusts have been outlined for the Plant Stress and Water Conservation Research Laboratory with specific objectives defined for each thrust. These are as follows:

Thrust 1 Characterize the dynamics of the soil-plant-atmosphere continuum.

Thrust 2 Define environmental stress impact on growth, development and yield, and identify mechanisms which aid plants in tolerating or avoiding environmental stress.

Thrust 3 Define genetic control of stress mechanisms.

CONCLUSION

The research program and proposed laboratory will require a number of disciplinary teams in areas such as soil physics, soil chemistry, soil classification, plant physiology, plant breeding, agricultural engineering, and other allied areas requiring individual scientist input. This level of activity will allow effective and efficient research activity to focus on critical questions relating to problems of plant stress and water conservation. Because of the complexity of the proposed research, and the resources needed to solve these pressing problems, this program will be of long-term nature. As the program emerges as the national focal point for basic plant stress and water conservation research in agriculture, other relevant problems associated with agricultural production in semi-arid regions will be investigated. With the development of the program, the University will be in a position to invite private industry scientists and research support to join the activity.

Congress, in fiscal year 1977, appropriated \$100,000 to initiate a feasibility study to determine the most appropriate size, program and location for the Plant Stress and Water Conservation Laboratory initially identified in Senate Document 59. That feasibility study was delivered to the Congress in March, 1978. In fiscal year 1979, Congress appropriated \$800,000 to initiate planning for the research program and proposed facility in cooperation with Texas Tech University at Lubbock. In fiscal year 1983, Congress appropriated \$500,000 to complete planning for Phase II and to finalize all plans and cost estimates needed for construction of the proposed laboratory. This planning will be completed by August 15, 1984. Near final architectural plans and specifications for the proposed laboratory have been delivered to the USDA-ARS. In fiscal years 1980, 1981, 1982, 1983, and 1984, Congress appropriated \$200,000, \$400,000, \$450,000, \$750,000, and \$750,000, respectively, for cooperative research in plant stress and water conservation.

It is proposed that Congress continue to recognize the urgency of the research program by appropriating funds at the level of \$1,000,000 over the current budget allocation of \$750,000 (\$525,000 Base Funds plus \$225,000 Formal Budget Funds) for this project to continue and strengthen the cooperative plant stress and water conservation research program. This will bring the total research funding for FY 1985 to \$1,750,000. It is further requested that the Congress appropriate \$24,000,000 for the construction of the Plant Stress and Water Conservation Laboratory in fiscal year 1985 on the land provided by Texas Tech University.

Thank you Mr. Chairman, for your consideration of this proposal.

NATIONAL ASSOCIATION OF FEDERAL VETERINARIANS
STATEMENT OF EDWARD L. MENNING, D.V.M., M.P.H.

Summary of Request

FY 1985 funding for the USDA, Animal and Plant Health Inspection Service, Veterinary Services should be maintained at least at the FY 1983 appropriated level for Brucellosis Eradication.

Mr. Chairman, members of the Committee, the National Association of Federal Veterinarians appreciates the opportunity to discuss the USDA's Veterinary Services FY 85 budget proposal's effects.

The abundance of American meat and poultry is one of this country's major sources of health, defense, wealth and pride. This abundance did not occur accidentally but is due to methodical research, disease control and nutrition improvement programs brought about in most cases by the foresight of congressional funding.

Veterinary Services or its predecessor agencies have eradicated twelve major animal plagues from our country during their one hundred years of existence. 1984 is the centennial of the origin of the USDA's Bureau of Animal Industry. Their many other accomplishments in diagnostics, vaccines, disease causation, control procedures, and insect vector knowledge are legend around the world.

Outbreaks of highly pathogenic diseases today could be disastrous to our health, wealth and defense. Our country's defense system would be in jeopardy since an army still "travels on its stomach." If foot and mouth (or many others) were introduced in peacetime--immediately all U.S. meat would be prohibited by most of the countries in which we have bases overseas. If it were introduced during mobilization the greatly decreased food production and other complications could be disastrous.

Whether these highly virulent diseases originate in this country (such as the current avian influenza outbreak) or whether they are exotic and come from overseas (such as foot and mouth disease) is irrelevant. We still need a minimum number of highly qualified Veterinary Services personnel always available to react immediately. We cannot afford the ideal peak buildup number of personnel that will be required to finally control a massive epizootic but we cannot afford to go below the minimum needed for constant vigilance and for immediate onslaught reaction to the potential disease invasion. This minimum number in our opinion cannot be sustained with less than the FY 1983 Veterinary Services funding for brucellosis since this budget item contains a major amount of their man-years. This required minimum personnel resource is really the overriding issue that must be considered in their budget.

During lulls in epidemics these resources have many other critical disease control objectives which are both health and wealth cost effective. One is brucellosis eradication.

We strongly recommend that the continued goal be to eradicate brucellosis and tuberculosis among other diseases. Such has already been done in eight other major importing countries. Brucellosis is eradicatable just as was hog cholera.

The brucellosis that we are interested in, is not perpetuated in wild animals, other than some bison and elk.

Brucellosis control is required by the Grade A Pasteurized Milk Code, thus many dairies could suffer.

Human brucellosis cases dropped from a high of 6,321 reported cases (probably "actual" were over 100,000) in 1947 to only 159 reported cases ("actual" probably close to 2,000) in 1981.

Swine brucellosis is at an all-time low and the export of pork products to the European Community is dependent on a good federal brucellosis control program.

Even if one were to accept the premise that a .275% reactor rate (down from .379% in 1983 and .42% in 1982) for brucellosis is the best we can afford, then one must also realize that it will cost much more than is projected just to keep it at .275%. It is not comparable to the Environmental Protection Agency saying that we are spending more and more dollars for less incremental reductions of air pollution

from auto exhausts and that one more dollar spent is wasted. In this case, with uniform and measurable machines and with emissions that do not replicate themselves on leaving the machine--you can stay at a rather static, agreed upon level, with minor funding. The *Brucella abortus* organism does replicate itself and does not recognize ANY geographic nor legal boundaries.

The amount of money proposed from a check-off system is grossly inadequate to begin with, would be "iffy" to implement and would consume great amounts in overhead costs even if implemented as proposed. Furthermore, a check-off system should be relegated for those programs where essentially only the payee benefits. Control of brucellosis is much more of an overall health and economic benefit to every American consumer and to our foreign trade, than it is to the individual beef producer.

History documents no instance where less than federal entities have coordinated and effectively controlled ANY multistate disease entity. Major federal leadership, technical services, personnel and money have always been required both here and in other countries. Scabies is an example of spread from only Texas in 1970 to ten times that now. States also have a history of taking retaliatory actions even on unrelated products. Allowing control of any national disease to become primarily state or industry managed would be the same as abolishing the program.

The costs to the "low incidence" or "free" states will have to jump dramatically if they wish to maintain their enviable positions under a reduced federal involvement. For the farmers who are earning less and less, the costs will absolutely jump due to increased state taxes, or to loss of indemnity, or to increased private control costs or to higher loss from increased incidence of disease. It has been calculated that the brucellosis disease cost by 1990 would be at least 528 million with a voluntary vaccination program only.

The states and the industry are presently carrying a very substantial load (over \$70 million reported). This does not count the individual owners' share in testing, vaccination, handling, disease loss, etc. The greatly increased costs they would have to absorb would in essence go toward putting out small fires while the burning forest around them shot sparks everywhere.

Each administration, each Congress and each individual at one time or another have said that prevention is cheaper--prevention is best. Usually, however, funding for preventive measures dramatically falls short.

We must continue to provide all the services that only the federal government is able to do. We must protect and improve the public's health, our food producing animals' health and our internal and external export economy. To do these we must have a program funded adequately to: 1) prevent entry of disease at ports; 2) survey and detect indigenous and exotic diseases; 3) maintain state-of-the-art technical and laboratory services; and 4) respond quickly to disease outbreaks of national importance.

NAFV therefore requests that the Veterinary Services budget of APHIS be funded at the 1983, \$83 million level for brucellosis. The safest and most efficient food animal production system on earth can afford no less.

Mr. Chairman, members of the Committee, thank you for allowing the National Association of Federal Veterinarians to present its views. I will now attempt to answer any questions you may have.

THE HUMANE SOCIETY OF THE UNITED STATES

STATEMENT OF MARTHA REBEKKAH HAMBY, DIRECTOR, LEGISLATIVE ACTIVITIES

MR. CHAIRMAN, I am Martha Rebekkah Hamby, Director of Legislative Activities for The Humane Society of the United States (HSUS). On behalf of The HSUS and our more than 200,000 constituents, I am here to address the subject of appropriate funding for enforcement of the Animal Welfare Act, under the charge of the Animal and Plant Health Inspection Service (APHIS).

APHIS is responsible for administering the Animal Welfare Act (AWA) which ensures humane treatment of animals used in laboratories, displayed in zoos, raised in puppy mills, appearing in circuses, and handled by dealers. The Animal Welfare Act mandates licensing or registering, as well as inspections of these facilities. In FY 84, APHIS had a budget of \$4.865 million to administer the AWA. This year OMB has asked APHIS to do its job with \$3.655 million, a \$1.210 million reduction in funding.

Now, Mr. Chairman, The HSUS has what might appear to be a seemingly contradictory task today--to advocate a significant increase in funding, while being simultaneously critical of APHIS for inadequate enforcement of the Animal Welfare Act.

There is no doubt that The HSUS and APHIS have not seen eye-to-eye on enforcement and accomplishments since the enactment of the Animal Welfare Act in 1966. However, today we are here in support of appropriate funding for APHIS. We are asking you to appropriate the sum of \$8.5 million for APHIS to begin a system of proper inspections of our nation's animal facilities. We want more inspections per facility, higher quality inspections once the inspectors get there, and more vigorous prosecutions of violations. This cannot be accomplished under the current funding levels.

To give you a historical perspective on the situation, I must refer to my first encounter with this distinguished subcommittee, in Spring of 1982. The FY 82 budget had been \$4.8 million for all these

inspections. However, budget proposals in both FY 83 and FY 84 called for a 70% reduction in funding, from \$4.8 million to \$1.5 million. For the last two years, The HSUS has returned to this subcommittee to ask for restoration of funding, and you in your wisdom have agreed. However, if again this year you merely restore funding to its previous level, APHIS will be faced with an FY 82 budget to serve FY 85 demands. Even given your generosity of the past two years, the Office of Management and Budget (OMB), with its two consecutive 70% funding reductions, has assured that APHIS will sustain what is tantamount to a substantial reduction in actual funding since even its FY 84 funding is the same as its FY 82 level.

Since the Animal Welfare Act covers privately owned animal facilities as well as publicly funded ones, APHIS has a tremendous responsibility to the American people who, after the Animal Welfare Act was passed, believed that the millions of animals in facilities were being checked regularly to ensure proper care. However, in recent years atrocities have been uncovered, such as an aggregate of 300 disgraceful puppy mills in which APHIS inspectors had found few or no violations of the law or APHIS' total unwillingness to enforce the anti-dogfight mandate.

RECOMMENDATIONS

1. When one considers these cases, and there are dozens more in HSUS files, a simple common-sense principle must be applied:

Where there's smoke, there's fire.

Thus, Mr. Chairman, we are not only asking for more money for APHIS this year, we are seeking better performance, and we ask for a mandate to that effect from this subcommittee. APHIS' Office of General Counsel (OGC) must take an active interest in prosecuting those violators identified by APHIS inspectors. Until recently, the OGC was like a black hole in space, where reports entered, but were never heard from again. If you are to fund this agency with millions of taxpayers' money, some accountability is required. In addition, inspectors become disheartened and lax if their hard work is not followed up by prosecutions.

2. More and better training is necessary for APHIS inspectors. There exist some fine Animal Care Specialists within the agency, but many APHIS inspectors simply may not feel comfortable observing the needs of laboratory animals for signs of pain or improper care. The HSUS would like to ensure that these situations are ameliorated. Every APHIS inspector charged with inspections to enforce the Animal Welfare Act needs proper training.

3. The HSUS also strongly suggests the establishment of a specially trained, Washington-based team of inspectors who are independent of the local and area systems of camaraderie, which is commonplace in areas where the relationship between animal facilities and inspectors becomes incestuous. This special group should be charged with quality control and would be comparable to agency Inspector Generals (IGs).

4. APHIS must provide more inspections per facility. This is the only way the afore-mentioned atrocities can be found and stopped.

In addition, Mr. Chairman, The HSUS is eagerly waiting completion of a General Accounting Office (GAO) study commissioned by the Senate Subcommittee on Agriculture Appropriations, with the special help of Sen. Quentin Burdick of North Dakota. GAO is examining the records and expenditures of APHIS, as they relate to the enforcement of the Animal Welfare Act. I am sure that this subcommittee will be greatly interested in seeing what APHIS actually does with the program you fund. The GAO study is expected in June.

5. Finally, in keeping with our continuing concern that APHIS do its job according to congressional mandate, public demands, and fiscal accountability, The HSUS will be using every resource available to assure that The Animal Welfare Act receives long-overdue oversight hearings in the authorizing committee. We solicit your help and participation.

ASSOCIATION FOR BIOMEDICAL RESEARCH

SUMMARY

The Association for Biomedical Research, a national scientific trade association which represents more than 200 institutions and companies dependent upon the use of laboratory animals for biomedical research and testing, opposes the \$1.2 million reduction in APHIS Veterinary Service Inspection Funds. In fact, the Association for Biomedical Research urges the Subcommittee to increase the level of funding to insure effective enforcement of the Animal Welfare Act in relation to the inspection of research facilities.

As you are aware, the Administration has proposed a reduction in the APHIS animal welfare inspection budget from \$4.865 million to \$3.655 million, a reduction of \$1.210 million. This reduction is less than that proposed last year, but any budgetary cutbacks in this program pose a serious threat to the underpinning of the only federal statutory authority for inspection of research facilities nationwide. Therefore, the Association for Biomedical Research is strongly opposed to this proposed reduction.

The Association for Biomedical Research is the only national scientific trade association which represents both industry and academia on the issue of the use of laboratory animals in biomedical research and testing. Membership in ABR is comprised of more than 200 institutions who are concerned about the responsible and humane use of animals in research.

Each year for the past several years the Association for Biomedical Research has testified before you to request restoration, or reinstatement of the APHIS inspection budget at level funding. You have responded favorably to this request and on behalf of the Association, I would like to thank you for this support. However, the fact of the matter is that even level funding cannot adequately support the APHIS inspection program, as outlined in the Animal Welfare Act.

The Animal Welfare Act as passed in 1966 and amended in subsequent years, is not only the only federal regulatory authority to inspect research facilities, but is a symbol of trust and an assurance to the American public that the care and treatment of laboratory animals is, in fact, being reviewed by the federal government in a careful, thoughtful and thorough way.

As you may be aware, for several years legislation has been introduced in Congress to further regulate the use of laboratory animals in biomedical research and testing. The premise of much of this legislation is that research facilities are not well-regulated. The proponents of additional federal legislation believe that more regulation is the solution. However, it is the belief of the ABR constituents specifically, and the scientific community generally, that the current federal law is well conceived and the problem is not in the law itself, but rather in the enforcement of that law. I believe that you would all concur that it is far more prudent and certainly more cost-effective to have one agency and one program that is sufficiently funded rather than several agencies and more than likely, several under-funded programs all regulating the same research facilities. To give APHIS less than \$5 million to inspect all research facilities, all animal dealers, exhibitors, breeders and suppliers is not in any way realistic.

It is important for this Committee to recognize that inadequate funding of the APHIS inspection program could seriously impede medical research. If faith and trust in the current enforcement program is lost, there will be increased pressures from the American public to seriously curtail or possibly eliminate the use of animal models in biomedical research and testing. And as you are aware, science's ability to conquer disease and improve the quality of life of both man and animals is dependent upon the use of laboratory animals.

We hope that you will take into consideration the fact that, while the APHIS inspection program has had its problems in the past, it is making efforts to improve the program, albeit with very limited resources. For example, a program is being instituted to improve the training of inspectors; and APHIS is working with other regulatory agencies including the Food and Drug Administration and the National Institutes of Health through an inter-agency agreement to insure uniformity and consensus regarding the care and treatment of laboratory animals. However, there are many more areas in need of improvement including new programs to insure better enforcement of the Animal Welfare Act.

During your deliberations regarding the future of the APHIS inspection program, this Subcommittee should not overlook the fact that Senator Dole

has recently introduced a bill, S.657 (referred to the Senate Agriculture Committee), which, if enacted, would expand the responsibilities of APHIS. This Senate legislation includes no authorization for appropriations, yet it does have the support of the animal welfare community. A great concern, of course, is how APHIS could possibly enforce the requirements of S.657 if it should become law, when they cannot now adequately fulfill their mandate.

For this Committee's information, S.657 requires that all USDA licensed research facilities establish animal care committees which are responsible for complying with many new standards regarding the care and treatment of laboratory animals. The Secretary of Agriculture is responsible for administering this expanded APHIS program and for assuring that all research facilities are in compliance with these new mandates. Without increased funds, it is this Association's opinion that it would be impossible for APHIS to assume any new responsibilities.

The issue of the use of laboratory animals for biomedical research and testing has come under increasing scrutiny by the media, the public and legislators. Therefore, the scientific community would like to see the current APHIS program funded at an increased level in order that they may conduct an inspection program with highly skilled personnel, rather than the minimal, bare bones program currently in existence. This Committee should also recognize that, unlike many issues, restoration and increase of APHIS funds is supported by both the scientific community and animal welfare organizations.

In closing, I would like to emphasize the Association for Biomedical Research's recommendation that the APHIS inspection budget be increased to insure an effective inspection program. Medical and biological research cannot enjoy public support and confidence without an acceptable, national regulatory framework, and the present APHIS program is worthy of support.

Thank you for permitting the Association to comment on this important issue.

THE AMERICAN VETERINARY MEDICAL ASSOCIATION

The American Veterinary Medical Association (AVMA), is the national organization of veterinarians. On behalf of the more than 38,000 members of our association, we want to thank you for the opportunity to present our views on several issues related to the fiscal year 1985 appropriations for the U.S. Department of Agriculture.

Animal and Plant Health Inspection Service (APHIS) programs have been effective and productive, through cooperation with state governments and private practicing veterinarians, in reducing and controlling livestock diseases. These programs are essential elements in increasing the agricultural productivity of the nation. We are doubtful that the livestock producers and the states will, or can, maintain these programs without substantial federal participation. The budget appears to us to invite devastating increases in the incidence of several diseases and additional losses for livestock producers.

With respect to the brucellosis eradication program, we are concerned about the administration's proposal replacing a portion of the federal appropriation with funds raised from a producer check-off system. It is an interesting idea and may have some potential for the future. However, the administration acts too hastily in incorporating the revenues from the check-off into its fiscal 1985 budget proposal.

We have stated in previous years that a precipitous reduction in funding for the brucellosis eradication program would undo much of the progress that has been made recently, and that is just as true today. Since it appears very unlikely that authorizing legislation for a check-off system can be passed this year, we do not think that the fiscal 1985 appropriation should anticipate any funding from that source. We recommend that federal funding for the brucellosis program be maintained at the 1984 level at least, i.e., approximately \$70 million.

It is important for the federal government to maintain a strong role in the brucellosis eradication program, because of the nationwide consequences of a reduction in efforts. If federal support is drastically cut, we anticipate that low-incidence states will try to maintain that status through a variety of state regulations limiting the interstate shipment of cattle. Likewise, without a strong federal program, foreign marketing of cattle would undoubtedly be reduced, and the export market for swine products to European Economic Community countries would be lost.

APHIS animal care activities directed to the enforcement of the Animal Welfare Act and the Horse Protection Act have been chronically underfunded. The animal care program has not met the expectations of those who encouraged federal legislation for the protection of animals in research and exhibit enterprises and those who are concerned for the humane treatment of animals. Even if the states along with private organizations were financially able to undertake animal welfare inspection (which we doubt), we question the national effect of the assorted standards and procedures which would impact research institutions and dealers, breeders, and exhibitors who operate in interstate commerce.

Questions about the adequacy of the care of laboratory animals have prompted calls for legislative action in this Congress and the preceding one. But a higher priority than passing new laws should be to provide adequate funding for the existing laboratory animal and other inspection activities. APHIS needs to expand the training of veterinarians who are responsible for laboratory inspections, and more funding needs to be devoted to this activity. We do not know what funding is needed for APHIS to expand these efforts while maintaining its other animal welfare inspection activities. However, it

is clear that maintaining the current program is the minimum need. Essential improvements require added funding.

In the budget for Science and Education, our concerns center on funding for animal health and disease research. Prior to fiscal year 1979, a limited amount of animal health and disease research was carried out in veterinary medical institutions through the Hatch Act program. The first federal program specifically designed for animal health and disease research in veterinary medical institutions outside of the Agricultural Research Service was not authorized until the 1977 farm bill. Since then, the modest financing of the animal health and disease research program (Sec. 1433) and special grants program has had a very favorable impact on animal health research. In order for the animal health programs to develop into an effective sustained effort to reduce the major losses attributed to animal health problems, Hatch funds, the animal health and disease research programs of Sec. 1433 and Sec. 1434, and the special grants program must be continued and expanded.

Animal health and disease research faces great challenges and opportunities at this time. We estimate that there is a loss of at least 35% in livestock productivity due to disease and other medical problems. Over half this loss is directly attributable to disease, and additional losses of 15% to 20% are incurred due to reproductive inefficiencies. If much of these losses could be avoided, the profitability of the livestock industry could improve dramatically.

The nation has the veterinary scientific manpower available to address many more animal disease problems, if support were available. A 1983 survey of five veterinary colleges found that only 15% of these schools' research grants are funding food-animal health and disease research. There is a large pool of researchers, currently addressing human medical problems because funding is available, who would be willing and able to devote their efforts to livestock disease problems immediately.

Approximately 6.5% of Hatch funds are applied to animal health projects in agricultural experiment stations, veterinary science departments, and some veterinary colleges. It is important that these funds be continued, as they provide base support for some animal health research.

A base of funding in the Section 1433 program is also essential because it provides a foundation of research capabilities, which can be built upon with targeted research supported by competitive-type grants. This program is used in different ways in different institutions, depending on their most critical needs. Examples of applications of the support include: Funding exploratory research, funding work on local disease problems, helping maintain food animal herds for research, providing opportunities to respond rapidly to emerging disease threats and to quickly apply new technologies, and supporting applied, on-farm research, e.g., non-traditional research such as herd health data and management systems.

For fiscal 1985, the administration has proposed a major increase in the competitive grants program to support research in biotechnology. We support this effort to bring greater emphasis to the application of biotechnology to agriculture. The competitive grants program is an excellent vehicle for this effort. The competitive-type research grant program authorized in Section 1434 would also work well in applying biotechnology principles to animal health and disease problems.

The time is ripe for applying the new biotechnology and computer technology to food-producing animals. The potential payoff for animal health resulting from these applications is greater over the short term than can be expected with any other area of agriculture. The technology is available and

well-advanced in many areas. All that is lacking is the support to apply the technology. Competitive grant proposals addressing the areas of genetic engineering of microorganisms, genetic engineering of embryos, immunobiology, improved diagnostic technology and systems analysis, and improved reproductive efficiency should be given the highest priority for funding.

Congress anticipated the important role that competitive grants could play in the support of animal agriculture when Section 1434 was included in the 1977 farm bill. As amended by the 1981 farm bill, this section authorizes the Cooperative State Research Service to administer a competitively awarded research grant program which focuses on regional or national priority animal disease problems. The statute provides for peer review of grant proposals to assure the high quality of research projects. There is broad agreement within the veterinary medical research community that top priorities for funding in this program would be complementary to the biotechnology competitive grants.

We also support a continuation of the special grants program under the same format as is presently practiced. The competitively reviewed animal health and disease research component of this program is an important element of USDA's extramural research support.

In all these research activities, there needs to be a continued recognition of the unique resources of the veterinary schools and veterinary science departments. The considerable biomedical and biotechnological resources at medical schools and other research institutions have some applicability to animal agriculture, but laboratory models for livestock disease can provide only so much information. Research on the diseases of food animals must ultimately be done with these animals in the institutions that have the expertise. There is no question that this is expensive research, but the pay-offs for farmers and, ultimately, consumers will be substantial.

We support the recommendations of the National Association of State Universities and Land Grant Colleges regarding funding for these programs in fiscal 1985. Specifically, we support an appropriation of \$161,418,000 for the Hatch Act, \$6,105,000 for Section 1433, and \$21,089,000 for special grants (of which \$7,156,000 would be devoted to animal health and disease research). We also support the competitive research grants initiative, which would include \$4,500,000 for animal science research and \$28,500,000 for biotechnology. As in previous years, we recommend an initial appropriation for Section 1434 of \$4,000,000, which would be awarded competitively to address specific regional or national animal health and disease research problems. We noted above that these grants should be closely coordinated with competitive grants in biotechnology.

We urge the Subcommittee to support these funding levels so that our agricultural research community can begin to make real progress toward the cure and prevention of the variety of diseases that hinder the livestock industry. We concur in the conclusions of the Winrock Workshop on Animal Health Research, which recommended targets for animal health research over the next few years. Based on the expected capabilities of the research institutions, the Workshop recommended funding for Section 1433 of \$10 million by 1988 and \$15 million by 1992, for Section 1434 of \$30 million by 1988 and \$50 million by 1992, and for special grants for animal health of \$10 million by 1988 and \$15 million by 1992. These are realistic goals, and we believe that the research results will pay enormous dividends to the livestock industry and the public in succeeding years.

The need to increase the number and quality of scientists and educators in the agricultural sciences is a growing concern, and veterinary medicine is no exception. The initial funding of the graduate fellowship program in

fiscal 1984 was an important step, and we strongly encourage the continuation of the program in 1985. We recommend a funding level of \$10,000,000, as was envisioned in the initial proposal.

Thank you for the opportunity to comment on these issues, which we believe are critical to the future of the nation's food supply of animal origin. Our association stands ready to provide assistance to the Subcommittee in any way we can.

THE INTERNATIONAL PRIMATE PROTECTION LEAGUE, THE ANIMAL LEGAL PROTECTION ASSOCIATION OF AMERICA, THE WASHINGTON HUMANE SOCIETY, ACTION LINE FOR PET OWNERS

STATEMENT OF FAY BRISK, ANIMAL WELFARE CONSULTANT

Having pioneered for the 1966 Laboratory Animal Welfare Act and the 1976 Humane Transport Amendments, we appreciate this opportunity to submit our comments on appropriations for the U.S. Department of Agriculture, Animal and Plant Health Inspection Service's animal welfare program.

Our comments are based on our own investigation of USDA-APHIS' animal welfare policies and inspection procedures, which we have carefully monitored for nearly 18 years. This experience has convinced us that merely appropriating funds for USDA's animal welfare program-- as welcome as that may be-- is not enough. To carry out the intent of Congress when it passed the original, 1966 Act, we request:

-- An appropriation of \$8 million-- with 60 percent of this earmarked for inspections in states with the most medical research laboratories and laboratory animal suppliers.

-- An investigation of USDA-APHIS' animal welfare activities in Pennsylvania, which ranks third in the number of medical school and research laboratories (83) and has more interstate laboratory animal suppliers than any other state (with two of its most affluent suppliers traveling as far as Canada and Missouri to obtain dogs).

It was, after all, the atrocities committed by laboratory animal dealers-- particularly Pennsylvania dealers-- that led Congress to pass a law in the first place-- a law to insure that animals used in research are legally obtained and humanely treated.

In recent years, however, USDA-APHIS has strayed from this goal, concentrating its efforts-- and a disproportionate share of its budget-- on Midwest "puppy mill" states (states with the greatest number of commercial dog breeders, but few research facilities and suppliers).

Just how far USDA has strayed is documented by the General Accounting Office's survey of animal welfare activities in six states-- a survey requested by the Chairman of this Subcommittee. We thank the Chairman for that request.

It appears that the states chosen by GAO were those in which USDA-APHIS allocated the most money for the program:

- the "puppy mill" states of Iowa, Missouri and Kansas, with a total of only 54 registered research facilities, but as much as \$745,026* in animal welfare funds.
- the leading research states of California and New York, with a total of 257 laboratories and \$312,077* in animal welfare funds.
- Texas, with 47 laboratories and \$195,175* in animal welfare funds.

Unfortunately, Pennsylvania, key supplier for East Coast laboratories, but with only \$95,797* in animal welfare funds, was not included.

It is precisely because Pennsylvania has so little money for this program that laboratory animals have suffered in that state. Our own investigation into conditions there turned up a surprising number of false or misleading inspection reports, as well as other improprieties. One animal health technician, for example, had been writing satisfactory reports on a weekly, interstate, laboratory animal auction he didn't attend. Obvious violations at dealers' kennels were generally overlooked. The truth is, USDA not only needs a bigger budget for Pennsylvania, it needs new inspectors!

And it needs to reassess its priorities. Since the 1966 Act was passed, three times as many animal welfare cases have been filed for prosecution in the major "puppy mill" states as in the three major research states.

While it is true that the vast number of puppy mills tends to engage USDA in more prosecutions in the Midwest, it is equally true that a puppy mill cannot be equated with a multi-million-dollar research animal dealership. One New York importer of primates keeps more than 3,000 on his premises. Some Pennsylvania dealers supply as many as 10,000 dogs-- and thousands of cats-- to East Coast laboratories. These laboratories receive Federal grants from the National Institutes of Health. They, in turn, pass on many of their tax dollars to their suppliers. It is sheer folly to equate buyers and sellers of laboratory animals to operators of puppy mills!

A greater effort must be made by humane groups to clean up the puppy mills in their own states. USDA, while still conducting inspections of commercial breeders, must devote more time and money to the laboratories and their suppliers-- at least 60 percent of what we hope will be an \$8 million budget.

There is evidence that USDA has already started in this direction. During the past year, an Ohio laboratory was prosecuted for failing to provide veterinary care for 40 injured kittens; a Massachusetts laboratory was charged with maintaining substandard conditions; several New Jersey and Pennsylvania laboratory animal dealers (among others) were prosecuted.

These cases are just an inkling of what USDA could do, if properly funded. Ever since 1966, USDA-APHIS has been administering its animal welfare program on probably the slimmest purse in town-- ranging from \$300,000 to \$4.5 million. This must pay for inspections of more than 6,000 dealers, laboratories and zoos, as well as countless airline terminals. Compare this unrealistic funding with the appropriation the Pennsylvania legislature gave its Dog Law bureau this year:

Just to enforce its Dog Law, the bureau is authorized to spend \$2.4 million-- more than half of what USDA-APHIS has for its entire animal welfare program throughout the country!

On that note, and with the hope that this Committee will seriously consider our proposals, we rest our case. Thank you.

*Excluding overhead.

With overhead, for example, New York has a Fiscal '84 allocation of \$241,651. But this includes the salaries of two Animal Care Specialists for the entire Northern Region of 17 states and the District of Columbia. Without overhead, the allocation for New York is actually \$100,782, only slightly more than that of Pennsylvania.

This chart shows that from 1968 -1984, under the Animal Welfare Act, the U.S.Department of Agriculture concentrated its activities in "puppy mill" states rather than in states with the most medical research laboratories and suppliers.

"Puppy Mill" States	Cases* For Prosecution	No. of Research Labs	Fiscal '84 Allocations, Excluding Overhead
Iowa	34	11	\$ 235,471
Kansas	29	17	321,306
Missouri	28	26	188,249
	91	54	745,026
Major Research States			
Calif.	9	135	211,295
N.Y.	16	122	100,782
Penna.	8	83	95,797
	33	340	407,874

Un official figures

* Based on USDA-APHIS Press Releases.

Compiled by
Pay Brisk

NEW ENGLAND ANTI-VIVISECTION SOCIETY

STATEMENT OF DR. CONNIE KAGAN

Summary: The New England Anti-vivisection Society proposes that the APHIS budget be increased to \$8 million to improve enforcement of the Animal Welfare Act.

The New England Anti-vivisection Society is concerned about funding for the Animal and Plant Health Inspection Service (APHIS) at a level adequate to carry out its statutory responsibilities for enforcement of the Animal Welfare Act. These responsibilities include licensing, registration, and inspection of various animal facilities (including laboratories, zoos, and breeding kennels) as well as prohibiting dog- and cock-fighting.

For the past two fiscal years, in response to recommended reductions in funding, the Congress has taken the progressive step of restoring funding to maintain the FY82 funding level of \$4.8 million. These protective actions by the Congress have been essential to maintain the integrity of the Animal Welfare Act. Reductions in the funding level would make it impossible for APHIS to enforce the law and consequently, would result in illegal abdication of Federal responsibility for animal protection under the Animal Welfare Act. The Congress has guarded against that.

But the current funding level, which represents a holding action since FY82, needs to be increased to at least \$8 million. The additional funds are needed for the following:

- Better training for staff. Better trained staff could conduct more effective investigations which would improve animal care and also be more cost-effective.
- Increased staffing. More adequate staffing of both legal and administrative functions for prosecution of violators is needed.
- Upgrading regulations. Currently, ambiguities and inconsistencies between the law and the regulations waste time and money and preclude more effective enforcement.
- Support for regional information offices. The operating assumption is that selective prosecution will serve as a deterrent to others, but the deterrence function is undermined by inadequate funding to publicize violations and fines.

Rigid enforcement of the Animal Welfare Act is necessary to assure compliance. Experience has shown that the consequence of inadequate enforcement is unnecessary suffering and death of animals who should be protected under the law.

We urge you to provide for adequate enforcement of the law by increasing the funding level to \$8 million.

SOCIETY FOR ANIMAL PROTECTIVE LEGISLATION

STATEMENT OF CHRISTINE STEVENS, SECRETARY

Summary

\$8 million is requested for enforcement of the Animal Welfare Act for Fiscal Year 85. It is suggested that 60% of appropriated funds be used for inspection and compliance of Registered Research Facilities and Licensed Dealers supplying them.

USDA's Veterinary Services is the only effective agent preventing needless suffering and abuse of laboratory animals. Data from inspection reports confirm this.

\$260,000 is requested for enforcement of the Horse Protection Act for Fiscal Year 85. This is needed to enable USDA inspectors to examine show Tennessee Walking Horses to prevent illegal "soring".

On behalf of the Society for Animal Protective Legislation, I request increased funding for the enforcement of the Animal Welfare Act in order to ensure that the law is achieving the compliance which Congress intended.

A recent study by the General Accounting Office shows that two states included in their study, New York and California, failed to inspect all Registered Research Facilities even once during the course of the year. The Department has for many years aimed at four inspections a year in order to ensure that the minimum standards are met.

The proposed budget cut would reduce enforcement funds for this work to a mere \$3.6 million. I want to thank this distinguished Subcommittee for wisely rejecting cuts in two successive years, keeping the appropriation at the \$4.8 million level. However, as clearly demonstrated by the GAO study, this sum has been inadequate. We join the American Institute of Biological Sciences, the Federation of American Societies for Experimental Biology and other member groups of the Inter-Society Council for Biology and Medicine in requesting \$8 million for FY 85.

We request that this distinguished Subcommittee require the Department to expend a minimum of 60% of the funds appropriated for inspection and compliance of Registered Research Facilities and the Licensed Animal Dealers supplying them. These two areas are in particular need of government surveillance because it is difficult, and in many cases impossible, for animal welfare organizations to inspect either of these categories.

Unnecessarily large percentages of available funds have been allocated to the inspection of puppy mills by the Department of Agriculture. The GAO study shows that Kansas and Iowa, which have many puppy mills but few laboratories or laboratory animal dealers, received a disproportionate share of last year's appropriated funds. In those states inspections were made twice a year without difficulty. This is the way all states should be handled.

The purpose of the Animal Welfare Act is to prevent abuses before they happen. If they do happen, then legal action must be taken, but it is far better for the animals, the registrants and the licensees, and the concerned public to maintain steady compliance rather than having to penalize gross violations. An example of such a violation was the extreme neglect by the University of Ohio which allowed a large number of kittens to suffer the excruciating pain of having chains bite into their necks as the kittens outgrew the identifying chains. The university was assessed a fine of

only \$500 for this violation. Nevertheless, the fact that USDA took legal action was praiseworthy, and had sufficient funds been available for more frequent inspection of these animals, their suffering, wholly unrelated to any research, could have been prevented.

USDA inspections of institutions accredited by The American Association for Accreditation of Laboratory Animal Care (AAALAC) show that USDA's veterinary inspectors are doing a much-needed job and that far from being a guarantee of good animal care, AAALAC-accreditation has been conferred on many facilities which repeatedly violate the minimum standards of the Federal Animal Welfare Act.

For example three AAALAC-accredited institutions in the State University of New York system show abuses so serious and so often repeated that USDA inspectors twice recommended prosecution. At Stony Brook August, 1982: "The dogs need rest boards in the runs to stay clear and away from dampness, urine and feces." Two months later: "Nothing has been done so far to rectify the deficiency." How can science come up with genuine results with such neglect of animals?

In the case of Downstate Medical Center, the inspector complained in '81: "There are four cats enclosed in one cage 28" x 32" making it very uncomfortable for them to turn about freely and to stay in their normal position. It is impossible for the group to sit and lie comfortably. This deficiency should immediately be rectified." The cages "were found in very dirty condition." Despite warnings, rabbits were repeatedly found in cages too small for them. A case against the facility was recommended.

Yale University's School of Medicine was AAALAC-accredited in '79, but USDA inspections show dogs and cats were illegally purchased, rabbits and primates were inadequately caged, there was lack of ventilation for cats and "excessive build-up of green material" in rabbit water bottles.

The University of Massachusetts Medical Center at Worcester was AAALAC-accredited 2-13-80 according to NIH Statements of Assurance submitted by Dr. William S. Webster, the Attending Veterinarian of the School of Medicine and a member of the AAALAC Council on Accreditation. Dr. Webster acknowledged multiple violations reported by USDA inspectors, including inadequate cages for primates, dogs, and rabbits, build-up of feces and other wastes, ventilation systems not functioning properly, heavy odors permeating areas where drains were clogged with feces.

Dr. Webster purchased dogs from unlicensed sources, and promised to stop, but three months later it happened again.

Dogs were found overcrowded and in cages too small for them and "Where two greyhounds are housed together, they are both muzzled, making eating pellets difficult."

These are just a few of the many deficiencies noted in the 81-83 reports.

It is important to protect animals against needless suffering for the sake of the animals themselves, for the sake of our country's ethical principles, and for the sake of biomedical research involving animals. Although animal welfare organizations and scientific organizations sometimes have points of disagreement, I know of no organization or institution in either category which does not agree that an increase in funding for the Animal Welfare Act is necessary and that action to fund the program adequately is of major importance.

I would like to draw attention to graphs prepared by Fay Brisk of Action Line for Pet Owners which show the number of cases prosecuted by USDA/APHIS under the Animal Welfare Act in the period

1968-1984. Six representative states are shown, three of them major research states and three "puppy mill" states. The puppy mill states got nearly twice as much money as the research states and carried out about three times as many prosecutions. A second graph shows prosecutions in all states.

To sum up, we recommend an appropriation of \$8 million for Fiscal Year 1985 accompanied by a requirement that no less than 60% of these funds be allocated for inspection of laboratories and laboratory animal dealers.

HORSE PROTECTION ACT

An increase to \$260,000 is recommended for enforcement of the Horse Protection Act for FY 85. The increase is needed so that USDA inspectors can attend all Tennessee Walking Horse shows.

The FY 85 budget calls for \$159,000, a \$6,000 increase from last year, but this will not permit USDA to go to the 332 shows which were only covered by industry inspectors. Last year USDA inspectors covered 132 shows. \$75,000 was allocated to these field inspections. To cover them all would require an expenditure of \$225,000 in the field. With 15% allocated to overhead, a total sum of \$260,000 is needed--certainly a very small price for ending the terrible practice of soring.

At a recent meeting of representatives of the Tennessee Walking Horse industry and of animal welfare organizations concerned to prevent illegal soring of these horses, statistics were presented which demonstrated that the presence of USDA inspectors significantly increased the numbers of sore horses identified. Because of the necessity to rely on industry inspections by Designated Qualified Persons (DQP's) to prevent sore horses from entering competitions, the problem still has not been solved. Reliance on DQP's is necessitated by lack of funds to send USDA inspectors to the majority of Tennessee Walking Horse shows and sales.

Definite progress has been made since passage of the Horse Protection Act in 1970 and its amendment in 1976. The soring which used to be highly visible, with large, round, hairless spots on the pasterns of competing horses, has now disappeared. However, dishonest trainers continue to use much more sophisticated methods involving both chemical soring agents and temporary analgesic agents to foil USDA inspectors and DQP's. The industry recognizes that the breed was being undermined by these dishonest practices. At the meeting all industry representatives expressed concern about their "image." Thus, a more adequate appropriation enabling USDA to do its job would be especially effective at this time.

If soring is stopped, the competition will revert to the actual breeding of the horses rather than pain infliction to make inferior animals appear to be well bred. The welfare of the horses and the welfare of the industry itself are both in need of increased USDA inspections which will discourage the dishonest trainers who have plagued the industry for more than 20 years.

INTER-SOCIETY CONSORTIUM ON BIOLOGY AND MEDICINE

STATEMENT OF CHARLES M. CHAMBERS, PH.D., J.D., EXECUTIVE DIRECTOR,
AMERICAN INSTITUTE OF BIOLOGICAL SCIENCES

American Institute of Biological Sciences
 Association of American Medical Colleges
 Federation of American Societies for Experimental Biology
 National Foundation for Infectious Diseases
 National Society for Medical Research
 Public & Scientific Affairs Board of the
 American Society for Microbiology

SUMMARY

Humane and prudent use of animals in biomedical and behavioral research is essential to produce scientifically sound findings. The inspection service performed by the animal welfare program in the Veterinary Service Division of USDA's Animal and Plant Health Inspection Service (APHIS) is invaluable in ensuring enforcement of the provisions of the Animal Welfare Act. However, of the 485 animal inspectors in the field, only 6 are full-time. The remainder are able to devote only about six percent of their time to animal welfare concerns. Rather than a reduction in funding, as proposed by the Administration, the Inter-Society Council for Biology and Medicine is recommending an increase in funding to \$8 million, a \$3.15 million increase, to permit a greater allocation of time, effort and personnel to the inspection cycle for research facilities and licensed dealerships.

STATEMENT

This statement concerning appropriations for the animal welfare program of USDA's Animal and Plant Health Inspection Service (APHIS) is presented on behalf of the Inter-Society Council for Biology and Medicine. Together, these organizations represent a significant portion of the scientists who conduct biomedical and behavioral research in the U.S. and all of them have an interest in animal welfare. Our organizations are devoted to the highest standards of scientific and ethical responsibility in all research, including that involving the use of animals. In particular, humane and prudent use of animals as research subjects is essential to produce scientifically sound findings and to improve the quality of life for humans and animals. Therefore, we are surprised to learn that the Administration is recommending a reduction in the minimal resources APHIS has for animal welfare activities in its Veterinary Service Division.

Contrary to this proposal, the Council respectfully requests an increase in APHIS funding for inspection services to a level of \$8 million so that Congressional intent in enacting the Animal Welfare Act and APHIS' role in administering the Act can be honored and fulfilled.

The Federal government supports about 52% of the biomedical research in this country, with more than a third coming through NIH alone. Thus, there is substantial Federal concern that the research standards it establishes in the areas of animal care are met. Assigning states and volunteer organizations more responsibility for inspection and surveillance, as the Administration proposes, will likely result in the promulgation of incompatible and possibly contradictory regulations between states and between institutions, such as universities. The result would be confusion among professional scientists and irreparable harm to their research efforts.

Furthermore, the decrease in funding proposed by the Administration would place a burden on the already strained animal welfare program, where only 6 of 485 inspectors are full-time. The remaining inspectors are able to devote only about six percent of their time to animal welfare concerns because they must direct most of

their attention toward the inspection of livestock for the purpose of disease prevention.

The increase of slightly over \$3 million in funding that the Inter-Society Council is recommending for APHIS' animal welfare program would permit APHIS to provide leadership through a professional, well-trained cadre of federal officials who could provide a uniform level of inspection, guidance and correction before regulatory action is required. APHIS could not only strengthen the training of its own staff and allocate more time, effort and personnel to the regular inspection cycle, it could provide services to research centers and local humane groups through such routes as workshops on research standards, federal regulation and modern animal care practices. Additional funds would also enable APHIS to collect and publish better data about the status of animal welfare in research and among licensed dealerships. An \$8 million budget would also permit better coordination between APHIS and accreditation groups, such as the American Association for the Accreditation of Laboratory Animal Care (AAALAC).

In conclusion, we feel that the enforcement of the Animal Welfare Act is in the best interests of the Federal government, the biomedical research community and the humane societies. APHIS is the proper agency to administer this Act and any compromise of its ability to function would be strongly opposed.

Thank you for the opportunity to share these views.

STATEMENT OF JAMES A. GRAHAM, NORTH CAROLINA COMMISSIONER OF AGRICULTURE

THIS STATEMENT HAS BEEN SUBMITTED IN ORDER TO MAKE A RECOMMENDATION CONCERNING THE USDA-APHIS BUDGET AND SPECIFICALLY THE PROPOSED REDUCTION IN THE FY 1985 FINDING LEVEL FOR THE WITCHWEED PROGRAM. I HOPE THAT FUNDING FOR THIS PROGRAM CAN BE RESTORED TO THE 1984 LEVEL OF \$4.7 MILLION.

WITCHWEED IS A PARASITIC WEED THAT ATTACKS CORN, SORGHUM, SUGAR CANE, AND MANY GRASSY WEEDS. IT CAN REDUCE YIELDS BY 50 PERCENT, DOING ITS DAMAGE UNDERGROUND BY ATTACHING TO THE ROOTS OF HOST PLANTS. IT WAS FIRST FOUND IN THE UNITED STATES IN THE EASTERN PART OF NORTH CAROLINA IN 1956 AND SUBSEQUENTLY INFESTED 38 COUNTIES IN NORTH CAROLINA AND SOUTH CAROLINA. WITCHWEED IS A THREAT TO ALL CORN-GROWING AREAS OF THE UNITED STATES. THE NUMBER OF ACRES OF CORN, SORGHUM, AND SUGAR CANE IN THE UNITED STATES THAT CAN POTENTIALLY BE INFESTED WITH WITCHWEED IS APPROXIMATELY 88 MILLION ACRES. GROWER CONTROL COSTS COULD EXCEED \$1.7 BILLION ANNUALLY IF A GENERAL INFESTATION WERE TO OCCUR.

THE FEDERAL GOVERNMENT REACTED TO THE DISCOVERY OF THIS PEST BY ESTABLISHING A QUARANTINE IN 1957. SINCE THAT TIME, USDA PERSONNEL HAVE REGULATED THE MOVEMENT OF COMMODITIES AND MACHINERY THAT CAN SPREAD THE PEST. THEY KEEP SURVEY RECORDS ON EVERY KNOWN INFESTED FIELD AND HELP TO PREVENT WITCHWEED FROM PRODUCING SEED, USING TECHNIQUES ESPECIALLY DEVELOPED FOR WITCHWEED. THE WITCHWEED PROGRAM HAS BEEN EXTREMELY SUCCESSFUL. THE SPREAD OF THE PEST HAS BEEN CONTAINED WITHIN THE SAME GENERAL AREA OF DISCOVERY AND HAS BEEN ELIMINATED FROM TWELVE OF THE 38 PREVIOUSLY INFESTED COUNTIES. OF THE TOTAL AREA EVER KNOWN TO BE INFESTED, 47 PERCENT HAS BEEN RELEASED FROM QUARANTINE. OF THE LAND PRESENTLY UNDER QUARANTINE, ABOUT 45 PERCENT IS THOUGHT TO BE WITCHWEED FREE AND SHOULD BE ELIGIBLE FOR RELEASE IN ONE TO THREE YEARS. THEREFORE, ABOUT 71 PERCENT OF THE TOTAL AREA EVER KNOWN TO BE INFESTED IS NOW FREE OR SHOULD BE FREE WITHIN 3 YEARS.

A LARGE AMOUNT OF ACREAGE HAS BEEN RELEASED FROM QUARANTINE WITHIN THE LAST THREE YEARS DUE TO NEW TECHNOLOGY DEVELOPED SPECIFICALLY FOR THE PROGRAM, A CHANGE FROM WHOLE FARM TO INDIVIDUAL FIELD RELEASE, AND AN INNOVATIVE POINT SYSTEM APPROACH TO RELEASING ACREAGE. THESE FACTORS WILL CONTINUE TO IMPACT ON THE RELEASE OF ADDITIONAL ACREAGE FROM QUARANTINE, AND SHOULD RESULT IN THE EVENTUAL ELIMINATION OF EXPENDITURES FOR THIS PROGRAM.

THE FY 1984 LEVEL OF FUNDING OF \$4.7 MILLION PROVIDED FOR THE CONTINUATION OF AN EFFECTIVE REGULATORY, SURVEY, SUPPRESSION, AND ERADICATION PROGRAM. SURVEY AND CONTROL ACTIVITIES ARE VITAL COMPONENTS OF THE PROGRAM BECAUSE CERTIFICATION OF COMMODITIES IS BASED ON THE DETERMINATION THAT WITCHWEED IS BELOW DETECTABLE LEVELS IN A GIVEN FIELD; THIS ASSUMES THAT THE WITCHWEED STATUS OF EVERY FIELD IS KNOWN THROUGH VISUAL SURVEY AND SOIL SAMPLING. SOME REGULATED COMMODITIES FROM INFESTED AREAS CAN MOVE IF THEY ARE WASHED FREE OF SOIL. SUPPRESSION AND ERADICATION ACTIVITIES ARE GEARED TOWARD DECREASING THE AMOUNT OF ACREAGE INFESTED AND SPOT-TREATING NEW INFESTATIONS TO PREVENT SPREAD. OTHER STATES HAVE FAITH IN THE QUALITY OF THE COOPERATIVE WITCHWEED PROGRAM IN ITS PRESENT FORM. THEY HAVE NOT ESTABLISHED THEIR OWN EXTERIOR QUARANTINES AND ACCEPT THE FARM-BY-FARM CERTIFICATION AS PRESENTLY ESTABLISHED.

TERMINATION OF USDA INVOLVEMENT IN THE WITCHWEED PROGRAM WOULD BE A REGULATORY NIGHTMARE FOR THE INFESTED STATES. IF THIS WERE TO HAPPEN, THE CAROLINAS WOULD HAVE TO ASSUME RESPONSIBILITY FOR CONDUCTING A FEDERALLY MANDATED QUARANTINE AND CERTIFICATION PROGRAM SO THAT ARTICLES CAPABLE OF MOVING THE PEST COULD BE TRADED IN NATIONAL AND INTERNATIONAL COMMERCE. THE QUARANTINED COMMODITIES WOULD INCLUDE PEANUTS, SWEET POTATOES, IRISH POTATOES, NURSERY STOCK, CUCUMBERS, WATERMELONS, OTHER VINE CROPS, SOYBEANS, CORN, HAY AND PEPPERS. THE STATES WOULD ALSO HAVE TO REGULATE EQUIPMENT SALES YARDS,

OUTDOOR STORAGE AND SHIPPING AREAS, AND SHIPPING CONTAINERS SUCH AS BAGS, BOXES AND CRATES.

USDA PERSONNEL ARE TRAINED, IN PLACE, AND CURRENTLY HANDLE ALL THESE ACTIVITIES. THE STATES JUST DO NOT HAVE THE FUNDS NOR THE TRAINED PERSONNEL TO TAKE OVER THIS JOB. WITHOUT A SOLID, BALANCED PROGRAM, NONINFESTED STATES AND FOREIGN COUNTRIES WOULD PROBABLY ESTABLISH EXTERIOR QUARANTINES AGAINST COMMODITIES CAPABLE OF SPREADING THE PEST. THIS COULD HAVE DISASTROUS EFFECTS ON THE CAROLINAS. IN 1982, WHEN THE PROJECTED FEDERAL FUNDING FOR THE WITCHWEED PROGRAM FOR FY1983 WAS \$0.0, REGULATORY OFFICIALS IN NONINFESTED STATES CONTACTED THOSE IN THE INFESTED STATES ASKING WHAT COUNTIES, NOT FARMS, WERE INFESTED. THEY WERE BEGINNING THE PROCESS OF INDIVIDUAL STATE QUARANTINES AGAINST THE PEST. THE VALUE OF REGULATED COMMODITIES IN INFESTED COUNTIES ALONE EXCEEDS \$550 MILLION PER YEAR.

AS WITCHWEED SPREADS, BUFFER AREAS BEYOND THE PRESENTLY INFESTED AREAS WOULD BE INCORPORATED INTO EXTERIOR QUARANTINE REGULATIONS. IT WOULD BE ONLY A MATTER OF TIME BEFORE THE BOUNDS OF THE INFESTED AREA COULD EXPAND TO OTHER COUNTIES AND THEN TO OTHER PARTS OF THE UNITED STATES.

EVEN THOUGH THE PROPOSED FUNDING HAS NOT BEEN CUT TO ZERO, THE IMPACT OF DECREASING FEDERAL FUNDING FROM \$4.7 MILLION TO \$1.1 MILLION IN FY 1985 WOULD HAVE VERY SIMILAR OVERALL EFFECTS TO THOSE JUST DESCRIBED. ONE LIKELY OUTCOME WOULD BE TO LIMIT THE WITCHWEED PROGRAM TO ONE OF REGULATION ONLY, WITH NO SURVEY, SUPPRESSION, OR ERADICATION RADICATION ACTIVITY.

WITH NO SURVEY AND CONTROL ACTIVITY, THE WITCHWEED STATUS OF INDIVIDUAL FIELDS WOULD NOT BE KNOWN. AS A RESULT, REGULATED COMMODITIES COULD NOT BE EASILY CERTIFIED. ONLY THOSE PRODUCTS, FARM TOOLS, AND MACHINERY THAT CAN BE WASHED FREE OF SOIL COULD MOVE, ASSUMING THAT PERSONNEL ARE AVAILABLE TO CERTIFY THE ARTICLES. WITH NO CONTROL ACTIVITY, WITCHWEED PLANTS WOULD BE ALLOWED TO PRODUCE SEED. WITCHWEED WOULD NOT BE LIMITED TO A

PRECISE AREA AS IT HAS BEEN. SPREAD WOULD BE INEVITABLE, AS PREVIOUSLY DESCRIBED.

WE CERTAINLY RECOGNIZE THAT NORTH CAROLINA, AS AN INFESTED STATE, SHOULD HAVE A SIGNIFICANT ROLE IN COMRATING WITCHWEED. OUR FARMERS WITHIN QUARANTINED AREAS SUFFER THE CONSEQUENCES OF REGULATORY COMPLIANCE, OF NOT ALWAYS BEING ABLE TO PLANT CROPS OF THEIR CHOICE ON INFESTED LAND, AND, IN SOME CASES OF REDUCED YIELDS. THE STATE DEPARTMENT OF AGRICULTURE HAS COMMITTED ADDITIONAL RESOURCES TO THE COOPERATIVE CONTROL PROGRAM BY ADDING A PERMANENT EMPLOYEE IN THE WITCHWEED SOIL-TESTING LABORATORY. ALSO, WHEN OUR GENERAL ASSEMBLY MEETS IN MAY, A REQUEST FOR ADDITIONAL FUNDS WILL BE CONSIDERED AS A PART OF THE DEPARTMENT'S EXPANSION BUDGET.

TO SUMMARIZE, WE HAVE THE TECHNOLOGY TO SUPPRESS AND ERADICATE WITCHWEED, AND HAVE MADE SUBSTANTIAL PROGRESS IN THE LAST FOUR YEARS TOWARD THIS GOAL. WE CAN CONTINUE THIS PROGRESS WITH SUFFICIENT FUNDING AND RID NORTH CAROLINA AND SOUTH CAROLINA OF THIS PEST IN A RELATIVELY SHORT PERIOD OF TIME. THE REDUCED LEVEL OF FUNDING PROPOSED IN THE 1985 FEDERAL BUDGET WOULD ALLOW WITCHWEED PLANTS TO PRODUCE SEED AND SPREAD TO OTHER AREAS OF THE UNITED STATES. TO CUT BACK ON FUNDING NOW WOULD BE ECONOMICALLY UNSOUND. IT WOULD BE A GIANT STEP BACKWARD RATHER THAN JUST A DELAY IN OUR FIGHT AGAINST WITCHWEED.

SAF—THE CENTER FOR COMMERCIAL FLORICULTURE AND FLORISTS' TRANSWORLD
DELIVERY ASSOCIATION

STATEMENT OF PATTY HORTON, LAKEWOOD GARDENS, INC., AND HARRY JACOBS,
GREENBROOK FLOWERS

This statement is presented jointly by SAF --
The Center for Commercial Floriculture
(formerly known as the Society of American
Florists) and Florists' Transworld Delivery
Association. Appearing for the two
organizations are Patty Horton, Lakewood
Gardens, Inc., Lagrange, Kentucky,
a florist crop grower, and Harry Jacobs,
owner of Greenbrook Flowers, a retailer in
Jackson, Mississippi. This testimony seeks
the restoration of crop estimating and
reporting for floricultural crops, which
was discontinued in 1981 by the Department
of Agriculture. This report, called
"Floriculture Crops", has the unanimous
support of all major organizations in the
industry and its restoration is a top
priority of these groups, which are listed
in the attachment to this statement.

SAF is the national trade association of commercial
floriculture. Chartered by Congress in 1884, it celebrates its
centennial of service to the industry in 1984. SAF is made up of
all major components of the industry -- growers, wholesalers and
retailers. It provides a wide variety of services to its 9,000
members, acting as an industry spokesman on governmental and
other public issues.

Florists' Transworld Delivery, usually known as FTD, is a
member-owned cooperative of retail florists offering intercity
delivery services to consumers. FTD provides research,
marketing, promotional and other services to its nearly 20,000
retail florist members in nearly 8,000 cities and town throughout

the U.S. It serves as spokesman on government and industry affairs on behalf of retail florists.

By way of definition, this statement pertains only to the portion of ornamental crops production and distribution that is identified as commercial floriculture. This term encompasses fresh cut flowers, cut foliage, flowering and foliage pot plants, and bedding plant crops.

The opportunity to present this statement to the committee on behalf of nearly 30,000 independent small businessmen is appreciated. Both principal organizations, as well as those listed in the attachment, have supported crop reporting for florist crops over the nearly 30 years the report was in existence, cooperating closely with the USDA's Statistical Reporting Service. Through those efforts and the cooperation of this committee and USDA, the report was gradually expanded from a small pilot project started in 1956 to a full fledged crop report on 16 cut flowers and pot plant crops in 28 states.

As the committee well knows, crop reports are the benchmark kind of data which every agricultural industry and its related economic and financial interests must have in order to know where it has been and where it is going. The report on floricultural crops is exactly the same in intent, purpose, and uses as those on corn, wheat, cotton, and the other major crops of extensive agriculture. The importance of commercial floriculture in the overall pattern of agriculture in the U.S. is well established. With a value of approximately \$2 billion annually at the wholesale (farmgate) level, and a value of about \$6 billion annually at the retail level, commercial floriculture can rightfully claim to be an important segment of agriculture. Expanding mass marketing of the goods and services of commercial floriculture, as well as increasing sales through traditional retail channels, suggest that these figures can be expanded substantially in the next decade.

It should be noted, too, that growers and florist retailers in this industry are composed almost entirely of small businesses. Taken together with other industry segments, they employ about 350,000 persons and account for substantial economic activity at the state and local levels.

The SRS report was the only reasonably current yardstick the industry had by which to measure itself. The report was a critical factor in the production and marketing determinations of growers and retailers because of the data it provided on crop availability and future planting expectations. It had great value for longer range statistical projections. And it supplied much of the domestic production information needed by federal agencies and other analysts attempting to determine the position of domestic production vis a vis imports, which began to enter the U.S. market in some volume in the 1970's. In recent cases before the International Trade Commission, for example, the lack of reliable, official, third party statistics on domestic production proved to be a severe handicap to all parties concerned with those cases.

A number of crop reports were discontinued by SRS/USDA in 1981. Unfortunately, Floriculture Crops was one of the casualties, despite efforts of the industry to maintain the series. The last report issued covered sales for 1980-81 and planting intentions of producers for 1982.

While it is both regrettable and irremediable that a hiatus in the statistical series now exists, restoration of the report now would mean that SRS could initiate its survey in January, 1985 and thus could publish a report in March or April of that year. The network of state agricultural statisticians utilized by SRS to help gather the raw data is still in place, but extensive planning and programming would be required. We understand that restoration of the full report would cost about \$400,000 in the first (start-up) year, and somewhat less on an annual basis thereafter. This amount would enable the series to

resume on a full scale basis; a lesser amount would necessarily reduce the scope and extent of the program and would require further expansion in subsequent years to give the report maximum usefulness.

In summary, we want to emphasize that commercial floriculture seeks to be placed on the same footing as other major agricultural industries in terms of the type of information services normally provided by the Department of Agriculture. For the same reasons, floriculture needs data generated by an official, independent third-party source to ensure the reliability and acceptability of statistical data needed by a wide range of users. In making this request, we believe we are within the appropriate standards and guidelines laid down by the department for the generation of this type of statistical information for an industry of growing importance to the economy and the nation.

We appreciate the opportunity to present this testimony, and seek your understanding and support. We will be pleased to try to answer any questions you may have.

SUMMARY STATEMENT OF HARRY JACOBS

I am Harry Jacobs, owner of Greenbrook Flowers, Jackson, Mississippi. I am here today as the representative of Florists' Transworld Delivery Association of Southfield, Michigan. FTD is a member-owned cooperative of retail florists offering intercity delivery services to consumers. FTD provides research, marketing, promotional and other services to our nearly 20,000 members located in 8,000 cities and towns throughout the U.S.

FTD strongly endorses the statements just made to this committee by Patty Horton, on behalf of the grower segment of our industry. Although the Horticulture Crops report is often presumed to be of greater value to the grower segment of our industry, I assure you that FTD has consistently taken the view

that it is just as vital to retailers and marketers of fresh cut flowers and plants who meet the consumer one-on-one every day of the year.

We need to know what U.S. growers are producing, when and where it is being produced, as much information about the wholesale value of crops as possible, and future planting intentions of growers in order to make coherent marketing plans. I have personally been a part of this process, having served as a of the FTD Marketing Committee as well as serving on the board of FTD.

As you may know, FTD is the major marketer of our products to the consumer, having a marketing and promotional budget of more than \$16 million this year.

The ability to make major marketing decisions is founded in important ways on the availability of crop production data. As was recently remarked by Mr. John H. Saxtan, editor of Florists' Review, in an editorial, "We are told that we are entering the information age, but our industry is getting less and less of it. We need a central source...and we need more information on domestic production..." Without it, Mr. Saxtan said, "we're dancing in the dark without music. And that's not only foolish, it could be dangerous."

Floriculture Crops, produced by the Statistical Reporting Service, was the only reasonably current yardstick the industry had by which to measure itself in this important aspect. In addition to the industry's own need for information, it served other important audiences such as investors, market analysts and statisticians, land grant colleges and universities, and government agencies such as the International Trade Commission concerned with reaching sound and fair decisions in international trade cases. Commercial floriculture is now a truly international industry, and U.S. statistics are a major component of world production data.

Because of the importance of this data, it can only be collected and distributed by independent, official third party sources in order to assure its credibility. This committee readily recognizes this fact with respect to crops such as corn, wheat, and cotton. We ask that you approve our earnest request to restore this report to the Statistical Reporting Service program beginning with fiscal 1985. Thank you.

AMERICAN ASSOCIATION OF CROP INSURERS

STATEMENT OF MIKE FELT, VICE CHAIRMAN, GOVERNMENT RELATIONS

Mr. Chairman: As Vice Chairman of Government Relations of the American Association of Crop Insurers, I am again pleased to have the opportunity to present testimony in support of the Federal Crop Insurance Corporation 1985 Budget Request. AACI is an industry Trade Association of insurance companies that believe in the Crop Insurance Program and are committed to making this program work. We have been committed since we worked on passage of the enabling legislation and we will continue our commitment to this program.

Mr. Chairman, we are all aware of the fact that this past year has been an extremely difficult year for our nation's farmers. The drought of '83 forced many unprotected farmers out of business. We are, however, convinced that crop insurance protection is far superior to the inequities of the old disaster assistance programs. We agree with the policy expressed by Congress when the expanded Crop Insurance Program was enacted -- that the Crop Insurance Program should be the primary form of federal disaster protection for our farmers and should serve to replace the many overlapping farm disaster programs.

We realize that total acceptance of the crop insurance program has been slower than we all hoped, but early indications in our sales this year tend to prove that more and more farmers are obtaining protection through the Multi-Peril Crop Insurance Program. In fact, the insurance protection in force could actually double this year. When you compare this to the acceptance of other insurance programs, we believe that we are moving ahead with great success. It took more than forty years before it was the accepted practice for an individual to have life insurance. But today almost everyone has some type of life insurance protection.

Furthermore, there is another chapter in the crop insurance story that is often missed . . . the protection farmers are receiving from private crop hail insurance. There are estimates that show that in 1983 about 20 percent of the U.S. crop acreage was protected with crop hail insurance. This vehicle is used by farmers who see hail damage as their primary risk. When Crop Hail, MPCCI, and FCIC writings are looked at on a composite basis, over \$12,400,000,000 of protection was utilized by American farmers in 1983. This is illustrated in the graph identified as Exhibit 1. The amount of protection in 1983 was up almost 50 percent from just 5 years. The chart marked Exhibit 2 shows that on a composite basis between 30 and 36 percent of the acreage was insured in 1983. In 1984 the total amount of crop insurance protection could be up as much as 50 percent from 1983 to 1984. Collectively this could represent up to 45 percent of all crop acreage being protected against what the growers determine to be their primary risk. This composite picture comes close to the old MPCCI estimates. Perhaps the error that occurred when the old estimates were made was that they were meant to represent the whole crop insurance industry.

In addition, Mr. Chairman, crop insurance is a voluntary risk management tool and we should not expect every farmer to elect MPCCI coverage. For years many farmers have only wanted and needed Crop Hail Protection, particularly in areas which have had little damage due to drought. Other farmers elect to reduce their risk by geographical dispersion of their farming operation or diversifying the crops produced. In other cases, the current MPCCI program has not yet been adapted to many farmers' needs.

Those of us who are members of the American Association of Crop Insurers have a lengthy experience in serving the farmer. We realize that the Crop Insurance Program will be fully

successful only if the farmers of this nation are truly and properly served.

Mr. Chairman, there are still some problems in the Crop Insurance Program. Perhaps the biggest problem that we face is how to get farmers to keep better records so that they can qualify for individual yield coverage. We in AACI are aggressively working with FCIC to resolve these problems and we will not be satisfied until they are worked out so that every farmer who would like crop insurance has it available to him.

We realize that along with the opportunity for the private sector to deliver crop insurance comes a responsibility to deliver a program that will provide adequate protection. Further, we realize that our farmers are independent thinkers and we know that we have a responsibility to educate them to the benefits of the Multi-Peril Crop Insurance Program.

The American Association of Crop Insurers has made a firm commitment of people and money to greatly increase the understanding of the benefits of crop insurance throughout the agricultural community. We have worked very closely with the Cooperative Extension Service and Land Grant University personnel to develop and more fully utilize information that is helping private agents do a better job of educating and demonstrating to farmers how to quantify their financial needs and evaluate crop insurance on their farm. Our efforts include:

- o The use and distribution of several thousand micro computer aids and calculator worksheets using the individual crop budget of growers to determine how crop insurance can help them meet their minimum cash flow needs when specific low yields occur.
- o The development of educational literature and brochures for farmers and agricultural lenders to show how each can benefit from expanded use of crop insurance protection for growers.

- o The development of magazine articles and news releases to increase the understanding of the value of crop insurance among all segments in the agricultural community.
- o Conducting workshops focusing on individual case studies to show how crop insurance reduces risk and helps to assure that minimum cash-flow needs of farms are met when low yields are experienced. A series of these workshops were conducted jointly by Extension and AACI personnel at the National Agricultural Banking Conference of the American Bankers Association.
- o Crop insurance displays are now a part of major agricultural conferences of commodity groups, farm management conferences, and agricultural credit groups. In each case the "cash-flow" approach is utilized to help individuals evaluate the program at the micro level.
- o Industry spokesmen are participating in a variety of agricultural forums, days and conferences carrying the cash flow crop insurance message to these groups.
- o Cooperative efforts with the editors of agricultural magazines and newsletters to help them assemble articles for their readers on how to evaluate crop insurance on their farms.
- o Extensive crop insurance workshops have been conducted to help local professional insurance agents present the crop insurance program to farmers using the latest methods and technology. The MPCCI agents are rapidly gaining the reputation of being able to help farmers make a crisp informal decision in a minimum amount of time.

This is due primarily to the use of the "Cash-Flow Crop Insurance Method of Presentation."

- o Working closely with the academic community to search for ways and methods to improve the performance of the crop insurance program for farmers at the micro level and to find ways to develop additional market segments so that crop insurance use will be increased.
- o Providing much of the leadership to begin developing new crop programs for farmers in the private industry, subject to FCIC approval. Today the growers of cranberries nationwide and extra long staple cotton in Arizona have protection available only because of these industry efforts.

Mr. Chairman, the members of the American Association of Crop Insurers believe that we are meeting the responsibilities that the Congress gave us when the Crop Insurance Program was expanded in 1980. We are proud of our service record. The private insurance industry has consistently provided prompt policyholder service. We are proud to report that even with the heavy 1983 claims volume, industry claims were paid within 30 days. Prompt service is one of the main reasons that more and more farmers are choosing to insure with private companies.

We believe that our association has worked well with the Federal Crop Insurance Corporation to implement the new crop insurance program. We now have full time staff and special committees that meet regularly with FCIC management in an effort to bring about positive program improvements.

At our recent annual meeting we established as our primary goals for 1984-85 to:

1. TELL the POSITIVE private industry SUCCESS STORY
2. Improve SALES METHODS
3. Fix the INSURANCE YIELD problem

4. Launch major effort to develop many new crops
5. Avoid cosmetic changes

Mr. Chairman, the reason I am testifying before your committee is to speak on behalf of the Administration's budget request for the Federal Crop Insurance Corporation. The FY 1985 budget includes \$227 million for FCIC's administrative and operating expenses, an increase over FY 1984. It is our belief that these funds are required for the expansion and the increase in sales in the MPCIC program. We support the Secretary of Agriculture's request for the administrative and operating expenses as well as the request of \$141 million for premium subsidy.

This appropriation will enable us to continue expansion of the Multi-Peril Crop Insurance Program and improve the quality of service provided by using private insurance companies to the maximum extent possible.

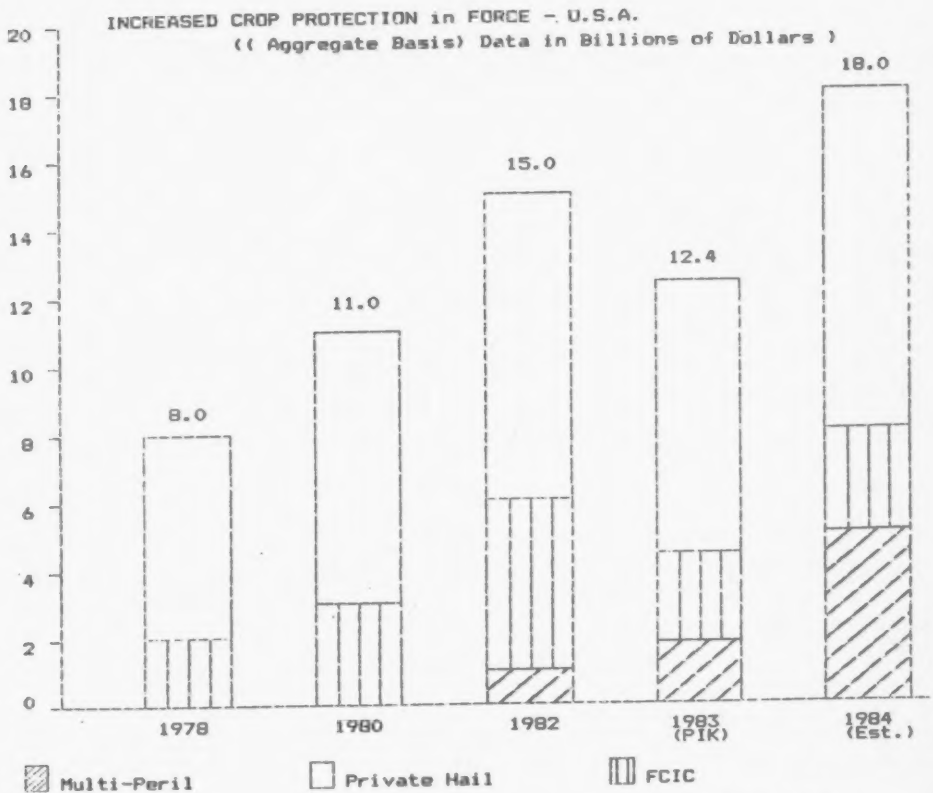
We are convinced that the private sector, who pays taxes to the government, can deliver this program more cost-effectively than the Federal Government ever could. The private sector is doing a better job for both the farmer and for the taxpayer than government can perform.

It is our belief that the most equitable, least expensive, long-term program of dealing with all of the natural disasters is through a nationwide Multi-Peril Crop Insurance Program. Private industry is committed to making this program work but unless there is sufficient funding to implement the 1980 Act, not only will the nation's farmers be short changed but also the interest of private insurance companies who have committed their resources, both physically and financially, to making this program successful.

In closing, Mr. Chairman, we hope that as you consider the budget request submitted by FCIC you look at the program and evaluate it for what it is - a program that insures the farmers against natural disasters.

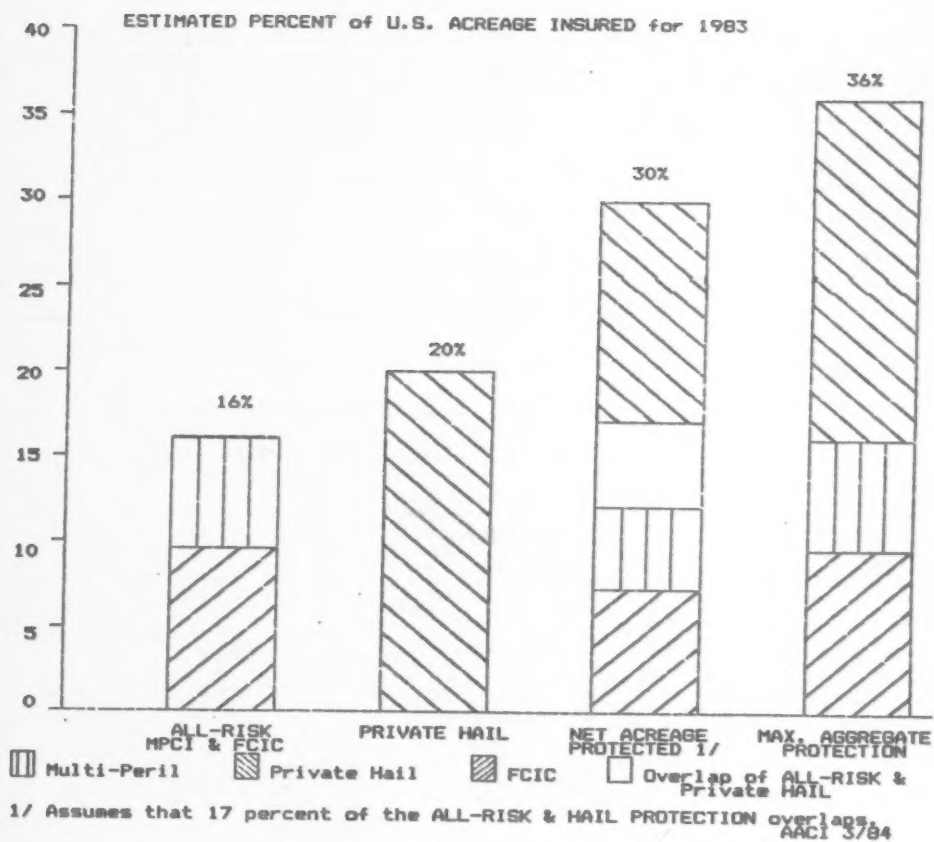
Again, Mr. Chairman, we appreciate the opportunity to testify in support of the program and we hope that your committee will act favorably on the Federal Crop Insurance Budget Request for FY 1985.

Exhibit 1



AACI 4/84

EXHIBIT 2



THE NAVAJO NATION

Neither the Navajo Nation nor any other Indian peoples have ever had full equal access to U.S.D.A. rural development programs essential to the building of the national rural economy. It was not until 1977 that the Soil Conservation Service was authorized to work directly with Indian peoples, and only in 1981 were Indian Tribes included as eligible for assistance under Public Law 83-566. In 1983, the Navajo Nation finally obtained explicit recognition by the U.S.D.A. of the need for administrative and even legislative action to ensure full equal opportunity and access to U.S.D.A. programs for all Indian peoples.

Yet, in the Reagan Administration's FY 1985 budget proposal for the U.S.D.A., some \$ 6.34 billion are cut from those very programs the Navajo Nation has been struggling to participate in. The Reagan budget cuts range from 25 to 100% relative to FY 1984 funding levels - and in some cases follow comparable reductions from FY 1983 to FY 1984.

Of major concern to the Navajo Nation are the following decreases:

- : Farmers Home Administration, a \$3 billion cut from 1984, including nearly \$1 billion from Rural Housing Programs, and over \$600 million from rural development loans and grant programs;
- : Rural Electrification Administration, a \$2.5 billion cut from 1984, mostly from the Electric Loans program;
- : Agricultural Stabilization and Conservation Service, \$138 million cut from conservation cost-sharing programs, a decrease of 63%;
- : Soil Conservation Service, \$89 million cut (51%) from Watershed Protection programs, and \$26 million cut (100%) from Resource Conservation and Development; further, the proposed budget eliminates any new watershed project planning or construction starts.

The Reagan Administration's rationale for such drastic decreases in rural development assistance is that:

"existing tax and market incentives for private sector investment in rural areas are sufficient to stimulate development of rural business and industry --- [without further] government intrusion into the capital market."¹

Whether or not this is true for the rest of rural America, it is unquestionably totally false with respect to the 45 million acres of rural lands owned by Indian Tribes in the lower 48 states. There is not now, nor has there ever been, any significant level of private sector investment in rural development on Navajo or any other Indian lands.

If the Reagan budget cuts are allowed to stand by Congress, the Navajo Nation will again be denied equal opportunity to benefit from U.S.D.A. assistance. The final irony is that the Reagan budget proposed to increase commodity benefits to major producers by some \$6 billion, while cutting \$6 billion from rural development programs - thus effectively taking from the disadvantaged low-income rural peoples in order to give more subsidies to wealthy farmers and ranchers.

¹ U.S.D.A., 1985 Budget Summary, p.p. 2-33

U.S.D.A. Proposed Fiscal Year 1985 Budget

Summary of Effects on Programs Important to Navajo Agricultural
and Rural Development Efforts

PROGRAM	PROGRAM LEVELS (millions of dollars)		NET DECREASE	% DECREASE (CUTS)
	1984	1985		
Extension Service				
TOTAL	334.3	299.4	34.9	10.4%
Earmarked Programs	75.6	34.8	40.7	53.8%

[NOTE: Formula programs increased by 2.6%, to \$258.7 million]

Agricultural Stabilization and Conservation Service				
TOTAL	254	129	125	49.2%
Cost-sharing programs, including A.C.P., Emergency Conservation, Water Bank, Forestry Incentives	218.3	80	138.3	63.3%

[NOTE: Colorado River Salinity Control increased by 340%, to \$12.6 million]

Soil Conservation Service				
TOTAL	602	476	126	20.9%
Conservation Technical Assistance	275	270	5	1.8%
Watershed Planning	8.7	7.9	0.8	9.1%
Watershed Construction	175	86	89	50.8%
Resource Conservation and Development	26	0	26	100.0%

[NOTE: No new watershed planning or construction starts projected for 1985]

PROGRAM	PROGRAM LEVELS (millions of dollars)		NET DECREASE	% DECREASE (CUTS)
	1984	1985		
Farmers Home Administration TOTAL	9,490.5	6,496.0	2,994.5	31.5%
Soil & Water; watershed; RC & D; and Indian land acquisition loans, TOTAL	73	30	43	58.9%
Emergency loans, TOTAL (Economic & Disaster)	2,600	870	1,730	66.5%
Rural Development Loans, including water & waste disposal, community facilities, and Business/ Industrial, TOTAL	700	350	350	50.0%
Rural Development Grants, water systems, fire protection, TOTAL	(1983) 316.3	90	226.3	71.5%
Rural Housing Loans (Sections 502, 504) TOTAL	2,324	1,617	707	30.4%
Other Housing Loans TOTAL	961	703	258	26.8%
Rural Housing Grants TOTAL	154.3	116	38.3	24.8%
[NOTE: Farm operating and ownership loans <u>increased</u> by 4.5%, to \$2,720 million]				
Rural Electrification Administration TOTAL	4,645.3	2,085	2,560.3	55.1%
Electric loans	4,085	1,700	2,385	58.4%
Telephone loans	560.3	385	175.3	31.3%
GRAND TOTALS All programs listed [NOT Agency Totals]	12,552.5	6,339.7	6,212.8	49.5%

SOIL CONSERVATION SOCIETY OF AMERICA

STATEMENT OF NORMAN A. BERG, WASHINGTON REPRESENTATIVE

Mr. Chairman and members of the Committee, we appreciate the invitation for SCSA to comment briefly about the Administration's budget proposals for USDA conservation activities for FY 1985.

Last December many people invited to USDA and many more across the country, listening by phone, heard the Secretary of Agriculture say, "By working together, you and I can make December 8, 1983, a day when a renewed commitment was made -- by all of us -- toward resource conservation in the United States. Conservation has always been a top priority for me personally. I made it one of USDA's top priorities when I came to Washington nearly three years ago."

The Secretary then cited several Administration actions including:

- sending the National Conservation Program (NCP) to Congress in December, 1982.

The Secretary ended by saying, "true, we are fighting a formidable opponent. Erosion eats away at our basic resources -- saps our strength -- cuts our yields -- increases our costs -- and retards our future! But an even more formidable opponent could be apathy itself. We can't let that happen!

We in SCSA agree, however, in January 1984, the Fiscal Year 1985 proposals sent to Congress for USDA conservation agencies are again, for the second year, below the "low bound" of \$735 million cited in their 1982 NPC.

Last year's federal deficit of about \$200 billion and current forecasts that in all of American history there never has been a deficit of the current and prospective magnitude, whether measured in dollars or in percentage of the national economy, is a matter of concern to many, including the 13,000 members of SCSA.

However, as professional conservationists, we are equally concerned by the continued "deficit spending" of our soil, our water, our related natural resources here and abroad.

My experience of two decades of observing the Executive Branch proposals for USDA conservation budgets, is that these activities are clearly postponable until some long promised better time. They represent, of course, discretionary spending and can be controlled. We are told that conservation is still a high priority and that the 1985 proposed reductions will provide a more effective conservation program, dollar for dollar, than the 1984 program funded at nearly \$1 billion.

Perhaps, because the Executive Branch proposes and the Congress disposes, and in the past has largely restored conservation programs to a more reasonable level of funding, the Administration has not had to face the harsh realities of implementing their own planned reductions.

How would they deal, in the real world, if left finally with their proposed program reductions in the next fiscal year?

As you know the President's request for SCS was \$476 million, down 21 percent from FY 1984's continuing-resolution level. The

cuts would be 2 percent from conservation technical assistance, 15 percent in river basins, 11 percent in PL-566 watershed planning, 34 percent in PL-534 flood prevention operations, 54 percent for PL-566 watershed operations, 50 percent in emergency watershed work, 22 percent in Great Plains, and 100 percent for RC & D (down to 000 from \$26 million in 1984). Money from USDI to run the rural abandoned mine program would drop from \$7 million to \$3.7 million. The President's request also would take \$8 million plus from 1984's watershed operations funding in order to cover pay-raise costs in several other accounts.

Additional recommended reductions include: \$125 million less for the popular ACP, and related programs, such as Water Bank and Forestry Incentives.

What would be the realities of suddenly discontinuing the Resource Conservation and Development Program, of no new commitments for watershed planning and river basin surveys, of significant reductions for watershed construction, of no new construction starts, of a \$35 million reduction for State and private forestry and conservation staff year reductions of over 1,000? That is the proposed budget. It would be a painful nightmare to administer.

We are told that these principal budget cuts are in programs where reductions can be made without destroying the basic program delivery system and where programs can be revived when the fiscal situation improves.

Meanwhile, as we wait, and conservationists have waited a long time for that promised better day, when fiscal restraint will no longer be a reason for postponing public investments in soil and water conservation, what do we know about the continued degradation of our soil and water? What are the long-term impacts? How much soil loss is too much?

My full statement, which I ask be made part of the hearing record addresses this in more detail than time will allow. However, it has been suggested that this annual debate about the proposed budgets for the variety of conservation activities in USDA may well mask or draw attention away from important issues facing those who decide soil and water conservation policy in the near - and long term.

An example is their targeting some USDA technical and financial assistance toward critical erosion prone and water-short areas. USDA began targeting in early 1981, designating 132 counties in 10 states for erosion control and 74 counties in eight states for water conservation.

According to SCS, in FY 1985, 745 counties will be targeted for erosion control and 172 counties for water conservation. Total cropland acreage will be 160 million. SCS estimates that total soil erosion on the 129 million acres of targeted cropland is now 742 million tons. Their targeting effort will save 78 million tons.

That means that a program covering 60 percent of the land eroding above the tolerance, using about 39 percent of the total technical assistance staff time will reduce soil erosion in targeted areas by only about 11 percent.

This probably overstates what targeted technical assistance will achieve.

This policy raises questions, a few of which are:

- How much of the problem will be solved before targeting moves to other areas or is discontinued altogether, as USDA seems to contemplate?
- How much of the technical assistance is being devoted to land that does not have a serious erosion problem?
- To what extent will technical assistance reach critically eroding lands? Is it the right tool for the job?

Another example are the SCS personnel ceilings couched in "full-time equivalents": 1983 actual, 14,156; 1984 ceiling, 13,500; 1985 ceiling, 13,290 -- continuing a downward trend of the past decade.

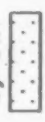
We know your Committee will face tough decisions as you balance out all the financial needs to be met in FY 1985.

We rely on your good judgment -- based on your long and excellent history of concern for conservation to provide the funding needed to maintain and improve, where possible, the soil and water conservation activities of USDA through another challenging year.

Thank you for your consideration of our written testimony.

SOIL SAVED BY CTA TARGETING FISCAL YEAR 1985 (SCS PROJECTIONS)

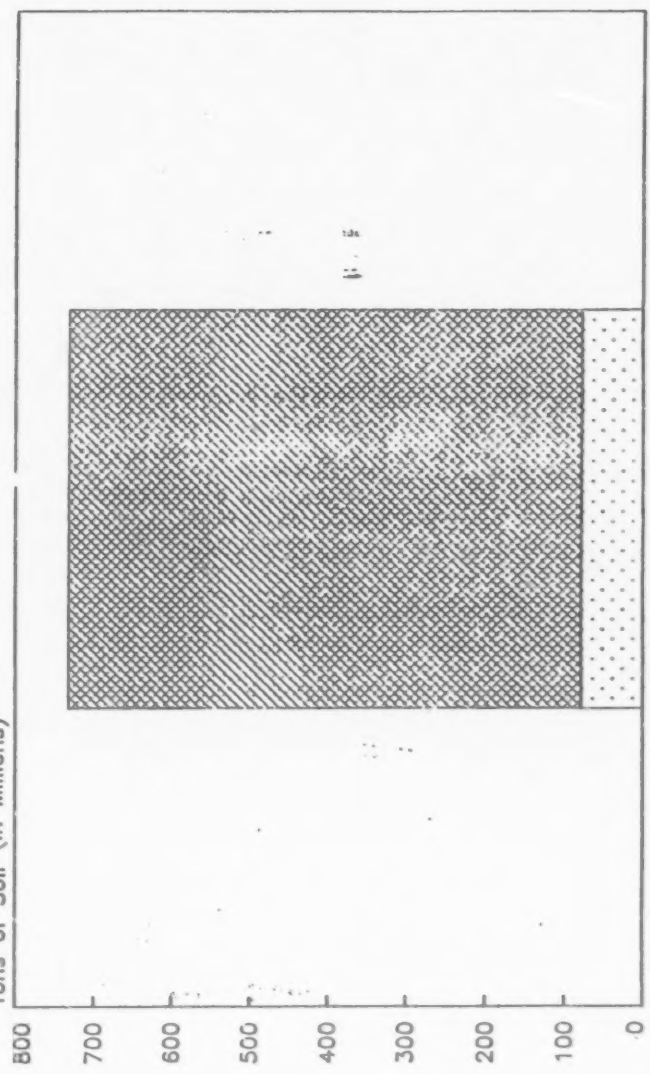
Soil Saved
By CTA



Total Erosion
In Target Areas



Tons of Soil (In Millions)



Fiscal Year 1985
SOURCE: SCS, CTA National Targeting Plan, FY 1982-1985

NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

STATEMENT OF CHARLES L. BOOTHBY, EXECUTIVE SECRETARY

SUMMARY OF NACD RECOMMENDATIONS			
AGENCY AND PROGRAM	FY 84 Budget Estimates*	FY 85 Budget	NACD Recommendation (million dollars)
SOIL CONSERVATION SERVICE--USDA			
1. Technical Assistance	274,979,000**	270,401,000	295.0
2. Inventory & Monitoring	14,395,000	14,441,000	14.4
3. Soil Surveys	51,517,000	53,660,000	53.7
4. Snow Surveys	3,904,000	3,913,000	3.9
5. Plant Materials Centers	3,980,000	3,999,000	4.0
6. Resource Appraisal	4,310,000	4,316,000	4.3
7. Total Conservation Operations	355,085,000	350,730,000	375.3
8. Grants to States and Districts	-0-	-0-	30.0
9. Special Areas Cons. Prog.	-0-	-0-	10.0
10. Total SCS New Targeting	-0-	-0-	40.0
11. River Basin Surveys	15,600,000	13,556,000	16.0
12. Watershed Planning Watershed and	8,675,000	7,898,000	9.0
13. Flood Prevention Op.	173,200,000**	81,079,000	200.0
14. Emergency Program (403)	10,000,000	5,000,000	10.0
15. Total Water Resources Prog.	207,475,000**	107,533,000	235.0
16. Great Plains Cons. Prog.	21,300,000	16,773,000	30.0
17. Resource Cons. & Develop.	26,000,000	-0-	50.0
17A. Special Projects for Rural Development			16.0
19. Total, SCS Approp. Funds	609,860,000	475,036,000	746.3
AGRICULTURAL CONSERVATION AND STABILIZATION SERVICE--USDA			
20. Agricultural Cons. Prog.	190,000,000	80,000,000	210.0
21. Forestry Incentives Prog.	12,500,000	(a)	13.5
22. Water Bank	8,800,000	(a)	10.0
23. Special Areas Cons. Prog.	-0-	-0-	10.0
24. Colorado River Salinity Prog.	-0-	13,000,000	13.0
25. Emergency Cons. Prog. (ECP)	7,000,000	(a)	15.0
26. Total ASC Cost-sharing	218,300,000	93,000,000	271.5
AGRICULTURAL RESEARCH SERVICE--USDA			
27. Soil & Water Conservation Research	58,233,000	65,700,000	65.7
COOPERATIVE STATE RESEARCH SERVICE--USDA			
28. Hatch Act	152,281,000	155,300,000	160.0
29. McIntire-Stennis	12,702,000	12,700,000	13.0
30. Rangeland Research	-0-	-0-	2.0
EXTENSION SERVICE--USDA			
31. Renewable Resources Ext.	2,000,000	-0-	15.0
FARMER'S HOME ADMINISTRATION--USDA			
38. Rural Community Fire Prot.***	3,250,000	-0-	7.0
39. Soil and Water Loans	26,000,000	26,000,000	50.0
SCS Program loans			
40. Watershed Protection and Flood Prevention loans	26,000,000	-0-	26.0
41. RC&D Loans	4,000,000	-0-	5.0

(a) To be included under ACP at the discretion of the State Committee.

* - Based upon the Continuing Funding Resolutions and Conference Report unless otherwise noted.

** - Based on a transfer of \$8,138,000 from Watershed Operations to Conservation Operations, which will require legislative action by Congress.

EXPLANATORY NOTES

Number	Remarks
1.	The President's budget proposes a 2% decrease in Conservation Technical Assistance which will be taken from the base program and redirection of an additional 5% from the base program to targeting, for a total decrease in the base program of \$18.5 million or about 7.5 percent. NACD's recommendation would allow targeting of up to 15 percent of the technical assistance available without reducing the base program available in 1983.
7.	The 1985 budget proposes to shift \$8,138,000 from Watershed Operations to Conservation Operations in FY 84 to cover personnel costs created by the Pay Act of 1983, but not covered in the original appropriation.
8&9.	These budget items would be new appropriations to implement Subtitles B and D of Title XV of the 1981 Farm Bill. These programs allow two separate types of "targeting" to emerge within the Department's soil conservation effort. The Grants program would help states and districts carry out activities outlined in state and local long range programs. Because of the matching feature, it would target those states and localities that felt strongly enough about the resource problems facing them that they raised state or local funds in the face of extremely tight budgets. This is an excellent way to "target," and NACD strongly supports this approach as a way to supplement the ongoing technical and financial assistance programs available through USDA. The Special Areas Conservation Program will give USDA the opportunity to respond to special needs in certain sections of the country. This can allow new program thrusts to focus on areas where high-priority national interests are threatened by the inability of the ongoing conservation programs to adequately help people protect the long-term productivity of the resource base.
10.	NACD suggests, in this recommendation, that new program efforts should add around 10 percent to the total in Conservation Operations. This would add to the targeting able to be done with new money under Conservation Operations. In addition, we suggest that the ongoing "targeting" programs of both SCS and ASCS such as GPCP, RC&D, P.L. 566 Watersheds, ACP, FIP, WB, and others (see below) be fully funded or even supplemented as part of the total USDA effort to target toward programs reaching highest priority needs.
15.	Water resource programs have been increasingly targeted to land treatment, erosion control, flood prevention and water quality. They provide economic stimulus and jobs in rural areas, and are needed as part of the emerging effort to revitalize America's productivity through upgrading and maintaining necessary irrigation, drainage and water supply infrastructure.
	As part of the 1985 budget proposal sent to Congress, President Reagan is proposing to cut the total water resources program in half. NACD opposes such a move.
16.	The Great Plains Conservation Program continues to prove the value of long-term contracts for conservation cost sharing in the 10-state GP area. Congress reauthorized the program in 1980, with the new funding limit raised to \$50 million annually. NACD believes that \$30 million should be appropriated, as there are around 1500 farmers and ranchers awaiting funding to participate in the program. SCS is staffed to handle this level of activity, which could be targeted to critical areas and problems.
17.	There have been repeated attempts by the Administration to phase out of the Resource Conservation & Development (RC&D) program, despite the fact that such a phase-out has been consistently rejected by Congress. The program was re-authorized in the 1981 Farm Bill. NACD believes the Administration should recognize the value of the RC&D and use it for the set-piece in whatever rural development effort USDA can mount under current budget constraints. That the Administration has no intent to follow such a course is shown again, as the President's 1985 budget has proposed a zero budget for 1985.
20.	The President's budget proposes that any funding for the Forestry Incentives Program, Water Bank, or Emergency Conservation Measures come out of the \$80 million requested for ACP. State ASC committees would decide

how much the money would be apportioned among the purposes of the programs. NACD believes that the funding level proposed is far too low in view of the urgent need to get conservation on the land, and in view of the Department's own estimates of need as shown in the RCA.

In addition, ASCS needs additional funding to carry out the new authorities and programs such as the Special Areas Conservation Program (item 23) the Colorado River Salinity Program (line 24). Funding for these programs should not be taken from the ongoing ACP budget.

24. Legislation has been passed in the House, pending in the Senate, to establish a separate program for the Colorado Salinity Control Program.
25. ECP received a \$7 million supplemental appropriation in FY 83. It is anticipated that there will be very little carryover to FY 85. Average expenditure over the last 10 years has been \$16 million.
31. Based on the recommendations of the Coalition for Renewable Resources Extension.
38. These are funds for training and equipping rural fire departments. Forest Service now has authority to conduct Rural Community Fire Activities under its new legislation.
40. President's budget proposes deletion of authorization for FmHA watershed loans and no funding for FY 85.

You have before you a detailed statement of the recommendations of our association relative to appropriations for the Department of Agriculture for FY 85. I wish only to summarize those items which we believe to be most important.

In the budget of the Soil Conservation Service, we believe that maintenance of a strong technical assistance program is absolutely essential for getting conservation programs applied to the land. The President's proposal to cut this item is, we believe, ill advised. Without a strong base of technical assistance, other programs will not be effective.

We also propose that the Special Areas Conservation Program, authorized by the 1981 Farm Bill be funded at \$10 million. Next year, Congress will be writing a new farm bill. Unless this provision is funded in 1985, we fear that the concept may be discarded. I refer you to the legislative record in support of this provision.

We have proposed that the Grants to States provision of the 1981 Farm Bill also be funded in FY 85. Although the history of soil and water conservation efforts has been based on a strong federal presence, we see this federal role eroding in recent years with an inordinate emphasis on perceived federal priorities. In many states, the local and state priorities may differ from the federal priorities. Further, grants would provide states with the opportunity to increase state and local appropriations for these programs.

It should be recognized, however, that the states have not been sitting still. State and local appropriations have increased from \$85 million to \$185 million over the past decade, and state and local employment has risen to over 4000 during this same period. Federal programs should support these efforts.

We believe that, in addition to state and local efforts, we must maintain a strong federal program in all conservation districts, at least until districts are in a stronger position to support themselves. This can only be done by maintaining an SCS personnel level of 14,500 full time equivalents (FTE). Otherwise, the protection of our soil and water resources will suffer.

The efforts of USDA to target its resources to areas of the most serious erosion on cropland has become an issue of deep concern to our association. We have always supported targeting, based on the concept that targeting should be accomplished with new funds, as proposed in the Special Area Conservation Program. Our concern arises when the "base program" suffers as a result of shifting personnel to targeted areas. In our opinion, targeting has become a game within the bureaucracy to see who can out-do the others in writing up targeting proposals. USDA's plans to have targeted areas in 47 states in FY 85 tends to support this theory. We still keep hearing of the designation of

targeted areas without input from the conservation districts involved. This is extremely disturbing to us since all districts have Memorandums of Understanding with the Secretary of Agriculture and Supplemental Memorandums with the Soil Conservation Service.

We respectfully request that the Resource Conservation and Development Program (RC&D) be funded at \$50 million and that an additional \$16 million be made available for RC&D for special Rural Development projects. Specifically, we propose that a limited number of RC&Ds be fully funded to show that this program can be effective in carrying out the rural development responsibilities of USDA.

We respectfully request that Congress reject the Administration's proposal to cut ACP and to fund Forestry Incentives, Water Bank, and the Emergency Conservation Program through ACP. This proposal is ill advised. These programs should be separately funded at levels suggested in our proposal.

Finally, we propose that the Renewable Resources Extension Act be funded at its authorized level of \$15 million. Presently, only about 37 states are receiving any funding from this source. We believe that this discriminatory practice can only be corrected by providing the funding originally provided in the authorizing legislation.

THE KANSAS ASSOCIATION OF CONSERVATION DISTRICTS

STATEMENT OF ROBERT EDWARDS, PRESIDENT

I am Bob Edwards of Olsburg, Kansas, President of the Kansas Association of Conservation Districts. Also with me today is Wilbur White, Vice President of our Kansas Association. We represent 525 supervisors who govern our 105 conservation districts, and about 100,000 cooperators covering the entire state of Kansas.

We commend Congress and especially this committee for the positive actions on soil and water conservation budgets in the past and for those authorities in the Farm Bill of 1981. I want to come back to the 1981 Farm Bill later.

We also wish to express our appreciation for the support your committee has given soil and water conservation programs in the past, and present a few of our concerns about the President's budget for 1985.

The Soil and Water Resources Conservation Act of 1977 (RCA) provided us an excellent opportunity to go out and ask people how they felt about soil and water conservation concerns and programs.

We conducted 221 public meetings in Kansas and heard from nearly 5,000 people. We heard from nearly 2,000 people concerning the Secretary's Preferred Program. The report of their comments became a part of the National Conservation Program announced by President Reagan December 21, 1982. The top priorities listed in that program are erosion control and water conservation, and upstream flood prevention.

Mr. Chairman, we are finding that Kansas people are ready and willing to carry out conservation programs through a partnership between the government and landowners.

While we are encouraged by the support of the public, landowners in Kansas, and Congress, we are very concerned about certain aspects of the proposed 1985 budget.

The President's budget would cut soil and water conservation programs in the Department of Agriculture to \$725 million. That would be the total of all the thirty plus programs in USDA that contribute to soil and water conservation and would represent a 26 percent reduction from 1984 and a 34 percent reduction from the 1983 level.

Hardest hit would be construction and financial assistance programs such as the Watershed Program (cut 50%), the Resource Conservation and Development (RC&D) Program (eliminated), and the cost-share programs of the Agricultural Stabilization and Conservation Service (ASCS) (cut 49%). The Great Plains Conservation Program (GPCP) administered by the Soil Conservation Service (SCS) would be cut 21 percent.

We urge an appropriation that will provide for continued technical assistance to conservation districts across the nation. While technical assistance is cut only slightly, inflation of the past years continues to erode away at the technical assistance level to districts. We also recommend a \$30 million line item in the Soil Conservation Service budget for grants to districts, and \$10 million is recommended for Special Areas Conservation Programs. These new budget items would implement Title XV, Subtitles B and D of the 1981 Farm Bill. Mr. Chairman, I hasten to point out that these funds are to augment rather than replace other technical and financial assistance programs of USDA.

Controlling floods on over 2 million acres of highly productive cropland is a major public concern in Kansas. We have a backlog of 26 unserviced small watershed applications. We recommend that planning funds be restored to the \$9 million level and that Congress gain control of construction and planning start restraints now being administered by the Office of Management and Budget. Construction funds for 1985 need to be around the \$200 million level rather than the \$81.1 million level proped by the Administration.

While we are on the topic of water resources, I would like to make another point. As mentioned before, the National Conservation Program transmitted to Congress by the President has upstream flood

prevention as one of the top priorities. Therefore, we are at a loss as to why the Administration's budget recommendation calls for a 60 percent reduction from the 1984 level.

We continue to be concerned over the efforts to strangle the Resource Conservation and Development (RC&D) Program from both the budget and program aspects. We were overjoyed by the actions (Title XV, Subtitle H) of the 1981 Farm Bill to finally put the RC&D program on sound legislative footing. That joy was short-lived, however, as the Administration's budget again proposes no appropriation for fiscal year 1985. We agree with the National Association of Conservation Districts' action that RC&D should be funded at the \$50 million level. This is still one of the best rural development programs we have in the country. It brings local people together. They recognize, discuss and find solutions to the problems in their areas. We contend that it is the most effective, valuable and most inexpensive kind of democratic government known.

Cost-share programs have suffered badly over the past decade. The Agricultural Conservation Program (ACP) administered by the Agricultural Stabilization and Conservation Service and the Great Plains Conservation Program (GPCP) administered by the Soil Conservation Service are extremely important programs in Kansas to help conserve and protect our vital cropland and rangeland resources. Funds for both of these programs are not meeting the demands and needs. The Soil Conservation Service could probably write GPCP contracts that would require two times the annual appropriation. Several counties in Kansas obligate their ACP funds in the first few months of the year.

Badly needed conservation work is being delayed. I feel the National Association of Conservation Districts' budget proposal for the ACP cost-share at \$210 million and for the Great Plains Conservation Program at \$30 million is sound and reasonable.

Another area of concern is the funding of the Rural Abandoned Mine Program, and we support the National Association of Conservation Districts' budget proposal at the \$30 million level. We sincerely

hope the Congress will act favorably on appropriations for 1985 to keep these important programs going.

Mr. Chairman, we also believe that the Acreage Conservation Reserve (ACR) plan announced by Secretary Block in December has good possibilities of increasing the amount of conservation on eroding cropland in this country. I urge you to study the possibility of making such a program available to landowners on a continuing basis. We would not support an ACR program that would be funded at the expense of the ongoing programs.

Mr. Chairman, we would also like to take this opportunity to go on record in support of the concepts in S.663 and S.843 "Fragile Lands Preservation Act of 1983," and "Cost Share for Conservation on Diverted Acres."

We are very concerned that the Administration has placed arbitrary personnel ceilings on the Soil Conservation Service. SCS as part of the state/federal partnership also provides most of the technical assistance on our own state and county funded cost-share programs. Therefore, the ceilings imposed are going to have a pretty drastic effect on the conservation program this year and in years to come. Mr. Chairman, these are our major areas of concern at this time. I fully realize and understand that the 1985 budget must be carefully scrutinized and be in line with our national priorities and objectives; however, I must also point out that our soil and water resources are vital to sound economic progress and stability in the country. Wise and prudent investment now in our soil and water conservation programs will prevent the collapse continued neglect will surely bring. Soil and water conservation must receive a higher national priority in the years to come.

Again, we thank you and urge that this committee continue its support for our conservation programs.

Key Issues of the Kansas Association of Conservation Districts

Thank you for your efforts in the past on soil and water conservation activities.

General

---We are concerned about the Administration's continued efforts to strangle an already underfunded soil and water conservation program for this nation. Reference the following:

<u>Program</u>	<u>FY 84 Estimates</u> (dollards in millions)	<u>FY 85 Budget</u>	<u>FY84-85</u> <u>Change</u> <u>X</u>
Conservation Operations (technical assistance)	355.1	350.7	- 1.2
Water Resources (planning & operations)	173.8	89.0	- 60.1
GPCP	21.3	16.8	- 21.1
RC&D	26.0	0	-100.0
ACP	190.0	80.0	- 63.4
Forestry Incentives	12.5	0	-100.0

---Soil and water conservation must receive a higher national priority. The carryover in the 1983 Defense Program (Est. at \$171 billion) would fund the \$1.0 billion conservation program for many, many years.

Technical Assistance

---We are very concerned that the Administration has placed personnel ceilings on the Soil Conservation Service. SCS provides technical assistance to all our programs including our state and county funded cost-share programs.

Water Resources

---Because of your efforts we had "new construction starts" on two Wet Walnut Watersheds in Scott, Lane, Ness, Rush, and Barton Counties. We also started construction in Peyton Creek Watershed in Chase County this year.

---We need your help to get Elk Creek Watershed in Atchison, Jackson, and Nemaha Counties out of the House Public Works and Transportation Water Resources Subcommittee. Authorization of this watershed plan has been delayed too long.

---We have plans approved for construction in Diamond and Middle Creek Watersheds in Morris, Marion, and Chase Counties. Construction will start in 1984.

STATEMENT OF THOMAS J. BARLOW, OWENSBORO, KY.

I appreciate the opportunity to testify before the Appropriations Committee on the Department of Agriculture's budget as regards soil conservation work. I very much hope that the Committee will be supportive of the Department in its asking borrowers from the Farmers Home Administration to implement conservation plans on their agricultural land. This is a simple measure similar to the requirement in the PL566 program of the Soil Conservation Service for conservation land treatment in watersheds. Some would say that, on occasion, conservation treatment on watershed lands does not actually follow from such agreements on all such acreage but I do not want to focus on any negative. The point is that Congress has asked for conservation measures in PL566 projects for a number of decades and landowner recipients of PL566 benefits have been agreeable in assuring implementation of such measures.

Where problems of non-compliance have arisen it may be due to the high cost of certain measures with structural features. I hope, however, that in coming years we can concentrate our conservation effort on the simple, least cost, cost effective, easy to apply practices such as chisel plowing and crop residue management. Such practices applied to tilled land will help to achieve conservation goals: They are effective in reducing soil losses and could be asked of operators not just receiving Farmers Home Loan assistance but receiving other forms of USDA financial assistance. There are alternative sources of financial assistance in our society if an operator wants to choose other avenues to satisfy his financing needs.

Today, a number of States and many counties are working with agricultural organizations to control excessive topsoil erosion from farm operations. It would be wise policy to include the conservation provision now contained in Farmers Home Loan assistance in other USDA financial assistance programs. For the federal government to provide assistance for farm operations in these jurisdictions and not ask that erosion control measures be applied is not good public policy especially where erosion on cropland is serious. Federal policy should not be unsupportive of State and local effort which have the worthy goal of better protecting precious topsoil resources.

Today there is talk about "incentives" for operators to apply conservation to their land as if incentives are a separate category of assistance from other forms of assistance and support that are available. But, in reality, all forms of assistance offered by the USDA to operators are offered as incentive, incentive to engage in agriculture. Producing a crop is not a separate and distinct activity from application of conservation practices. Policy makers consider them as closely and necessarily intertwined. No one is required to accept such assistance. Such assistance is accepted, taken on by operators if the terms under which the assistance is offered contain sufficient incentive to take on the assistance. And when such assistance is accepted, it is not wise for the government not to have foreclosed the possibility that it could become a party to the wasting of precious topsoil resources as a result of the assistance being provided. When assistance is accepted, by definition there is sufficient incentive being provided.

Local organizations know best what practices to apply and how and when to apply them to get good soil

conserving results. This principle is the hallmark of conservation programs in our country since these programs were shaped by the work, in major measure, of this Committee over many, many years. Such local direction must continue. Yet as people in one region or area work hard at achieving conservation goals because their lands are categorized as fragile, erosion prone or highly erodible, I submit that it is not good government policy to provide backing for farming activity in another region or area which can result in abuse of soil resources. Financial unfairness accrues to operators practicing conservation when government assistance does not uniformly seek conservation practices from all recipients. As increments of production from unwise practices which the federal government has financed enter markets and put pressure on price indexes for that commodity generally, the first farmers to feel the pinch, even in the best of times, of any pull down in prices are those who have higher units costs because, for example, they may have steered away from cropping a buffer or an area that should be a grassed waterway and foregone some gross production. Wise conserving practices should not be penalized in the short or the long term.

Farmers Home Loan assistance is by statute available to farmers in special financial need who may be small farmers as well. These operators are under particularly heavy economic pressure today and to be seeking conservation effort from them and not from other recipients of federal agricultural assistance is not wise, particularly from the economic fairness perspective. Just so too on the High Plains where operators are ready to take on conservation effort uniformly in major measure and in Iowa where operators have established a State goal for dramatic reduction in soil losses in coming years -- and for all other operators across the nation who have practiced conservation thru the years, surely we do not want the federal government undercutting their effort by supporting operations that may be abusive which are economically squeezing their good work.

This Committee has been instrumental in shaping a support framework for agriculture in our nation that is truly magnificent. As tremendous technology changes have been introduced into agriculture over the decades, the work of this Committee ensured freedom of choice to all to make adjustments and changes as they desired. Yet a few adjustments are needed now to make sure that operators have freedom to exercise wise stewardship, economic freedom.

With profit margins all but nonexistent in so much of our nation's agricultural sector today, an operator is pressed by the blind laws of economics to push for all out production and some abuse can be the result. Should volumes of production enter markets as a result of unwise practices then such volumes push down prices and, through economics which has highest priority in tight times, in effect coerce other operators who may want to practice conservation into pushing the bounds of prudence in striving for production to keep their already thin margins from shrinking further.

From equal treatment for all and an even hand across the board comes not just fairness but the freedom to practice sustainable agriculture though time for the good of all. Thank you.

ILLINOIS DEPARTMENT OF TRANSPORTATION
STATEMENT OF JOHN D. KRAMER, SECRETARY

Introduction

The Illinois Department of Transportation (IDOT), Division of Water Resources, is the state agency charged with the development and implementation of a statewide flood control program. As a critical part of this effort, the IDOT has participated with the Soil Conservation Service (SCS) of the U.S. Department of Agriculture and the Metropolitan Sanitary District of Greater Chicago in the development of a comprehensive floodwater management plan for the Chicago Metropolitan area. Major elements of this plan have been implemented, resulting in substantial flood damage reduction benefits. Several other elements of this plan will be ready for construction in FY 1985 and shortly thereafter, making it extremely important that adequate funding for the SCS Small Watershed Program be provided.

Illinois Needs - FY 1985

During FY 1985 the SCS will be able to obligate an estimated \$27.2 million in federal funds for the construction of three reservoirs which are major elements of the Little Calumet River Watershed Plan. It is important that sufficient funds be available to allow these projects to proceed on schedule.

Construction started on the Little Calumet River Watershed Plan in November, 1983. This plan is intended to provide flood protection for 6,615 residences and 142 businesses, located on 10,800 acres in several southern Cook County communities. Interest in this plan has been intense because of recurrent flooding in the area. The flood of June, 1981 caused \$37 million in damages in the area. Had the Little Calumet plan been in place, damages would have been approximately \$200,000.

The overall cost of the Little Calumet plan is estimated at \$81.6 million. Of this amount, \$13.4 million has already been spent by the state and local governments for land acquisition and construction of flood protection facilities. Of the remaining funds, \$5.7 million will be from state and local sources, while the federal share would be \$57 million.

The overall program is expected to reduce average annual flood damage by \$5.5 million and provide an additional \$200,000 in recreational and land enhancement benefits annually. The benefit to cost ratio of the project is 1.5:1.

In FY 1985, the SCS will be ready to obligate funds for the construction of three reservoirs which are a part of the Little Calumet River program: #32, Tinley Park multi-purpose reservoir; #53, the Markham-Harvey Reservoir; and #143, the Linwood Reservoir. Plans and specifications for each of these reservoirs are expected to be completed by September, 1984 and state and local interests have already acquired all necessary land rights. The federal share of these reservoirs is an estimated \$27.2 million. Given the

substantial benefits of the program, all three reservoirs should be funded at the earliest possible date.

Administration Budget Proposal

The Administration has proposed FY 1985 funding of \$65 million for the Small Watershed Program. At this level of funding the SCS will only have approximately \$13 million available for financial assistance in the implementation of watershed programs, since the remainder would be needed for technical assistance on projects already underway. The Little Calumet River Watershed project in Illinois would be ready to obligate over two times the funds which would be available nationwide. The backlog of critical projects throughout the nation would inevitably grow substantially, resulting in continued flood damage.

Recommendation

The Department of Transportation believes that funding for the SCS Small Watershed Program in FY 1985 should be at least as high as the FY 1984 appropriation level of \$150 million. While this level of funding would be an effective reduction from FY 1984 because carry-over funds from FY 1983 were also obligated in FY 1984, this level will allow significant progress on critical flood control projects throughout the nation.

NORTHWEST MICHIGAN RESOURCE CONSERVATION AND DEVELOPMENT AREA AND NORTH CENTRAL
REGION RC&D ASSOCIATION

STATEMENT OF DWIGHT SPULLER, CHAIRMAN, NORTHWEST MICHIGAN RESOURCE CONSERVATION AND
DEVELOPMENT AREA, AND PRESIDENT, NORTH CENTRAL REGION RC&D ASSOCIATION

Thank you, Mr. Chairman. I am Dwight Spuller, Chairman of the N.W. Michigan Resource Conservation and Development Area and President of the seven state North Central Region RC&D Association, and also representing the four RC&D areas in Michigan. We are again deeply concerned with the lack of consideration for rural America and its natural resources as reflected in the proposed budget recommendations. We are particularly disturbed by the continued attempts to eliminate the RC&D program. Those of us who live in rural areas and have had the opportunity to see the value of the RC&D program, not only to the protection and improvement of our natural resources, but also by the economic impact of the installation of projects proposed by a group of local citizens who have concern for their communities and the environment.

In my sixteen years of working with the RC&D program, I have had the opportunity to assist many people in their attempts to improve their communities with RC&D sponsored projects, ranging from agricultural drainage to improved cropping and marketing projects, protecting water quality, reforestation of barren land, management of existing forestlands and marketing forest products, erosion control on lakes and streams, including the great lakes and protecting and improving recreation areas.

In Michigan we find that recreation and tourism in our RC&D areas, is a 5.1 million dollar industry, making it the major industry, ahead of agriculture and the automobile industry in the 4 areas we serve. To see the appreciation of those who have benefitted from our efforts makes us think our volunteer activities in improving our communities are having a beneficial effect.

The improvement of water quality and the control of erosion are the first considerations in proposal acceptance. We are protecting our lakes, streams and harbors from siltation, while improving fish and wildlife habitat. The planting of beachgrass on the great lakes dunes has protected homes and highways from destructive sand storms. We are providing facilities for the children to enjoy competitive sports in rural areas, without having to drive miles to take part.

We have been hearing a great deal about a "Rural Development Program" in the past year. To try to improve on the RC&D program in rural development seems like a waste of time and talent. Under the leadership of the Soil Conservation Service and the local RC&D councils, nearly all the needs and wishes for rural development can be met if the full potential of RC&D, as outlined in the 1961 farm bill, is given sufficient funding and expanded authorizations. While we think RC&D can do the job, you may be assured that if a rural development program is forthcoming, those of us who have the knowledge and experience of the RC&D program will be in the forefront in making it work to the best advantage for our communities.

We know that the present appropriation of 26 million is inadequate to meet the needs expressed by the RC&D councils we work with. We support the request of the National Association of Conservation Districts for an appropriation of 50 million. We now have projects proposed that would exceed this request.

The contributions of agriculture and the use of agricultural products for export have had a very favorable effect on the international balance of trade, as well as making food items available to the underprivileged in many nations. The soil and water resources of this nation have made this possible. If these resources are allowed to

be further depleted, the use of agricultural products in trade with foreign countries will also be depleted. We urge the congress to make sufficient funds available to the Soil Conservation Service to allow them to make the technical services available to private landowners that will maintain agricultures productive capacity. The recommendations of the National Association of Conservation Districts reflects a minimum of what we consider necessary to maintain the ability of farmers to meet the needs of the nation.

WESTERN RESOURCE CONSERVATION AND DEVELOPMENT ASSOCIATION

STATEMENT OF MARY J. SECCOMBE, PRESIDENT

SENATOR COCHRAN, MEMBERS OF THE SUBCOMMITTEE - AS PRESIDENT OF THE WESTERN RC&D ASSOCIATION, I WOULD LIKE TO THANK YOU FOR ALLOWING ME TO SUBMIT MY WRITTEN TESTIMONY TO YOUR SUBCOMMITTEE ON BEHALF OF THE RESOURCE CONSERVATION AND DEVELOPMENT PROGRAM. OUR TESTIMONY THIS YEAR IS MORE CRITICAL AND MORE IMPERATIVE THAN EVER BEFORE DUE TO SOME RECENT HAPPENINGS REGARDING THIS PROGRAM.

FIRST OF ALL, AS YOU KNOW, EACH AND EVERY YEAR YOUR SUBCOMMITTEE AND THE HOUSE SUBCOMMITTEE HAS HAD TO RESTORE THE FUNDING FOR THE RC&D PROGRAM BECAUSE THE OFFICE OF MANAGEMENT AND BUDGET HAS INVARIABLY CUT OUT THE APPROPRIATION FOR THE RC&D PROGRAM OR HAS REQUESTED JUST ENOUGH FUNDING TO PHASE THE PROGRAM OUT. EACH YEAR YOU HAVE RESTORED THE FUNDING FOR THE PROGRAM, AND I KNOW THAT WORDING HAS BEEN PLACED IN THE LEGISLATION ITSELF STATING THAT NONE OF THE APPROPRIATED FUNDS WERE TO BE USED TO PHASE THE PROGRAM OUT. HOWEVER, THIS YEAR NEITHER THE SOIL CONSERVATION SERVICE OR THE U. S. DEPARTMENT OF AGRICULTURE REQUESTED FUNDING IN THEIR BUDGETS FOR THIS PROGRAM THAT WERE SUBMITTED TO THE ADMINISTRATION. I DO NOT KNOW WHO IS DICTATING TO WHOM, BUT IT SEEMS STRANGE AFTER ALL THESE YEARS OF SUPPORT FROM SCS TO FIND THAT NOW WE ARE WITHOUT IT. WE FEEL RATHER BETRAYED BY AN OLD FRIEND BY THIS MANEUVER SINCE IT SEEMS TO US THAT WE HAVE BEEN LET DOWN AT A TIME WHEN THEIR SUPPORT WOULD HAVE BEEN VERY HELPFUL TO US. EVEN THOUGH THE RC&D PROGRAM IS THE SMALLEST PROGRAM ADMINISTERED BY THE SOIL CONSERVATION SERVICE, I KNOW THAT IN THE PAST THEY HAVE RECEIVED MORE MAIL ON THIS PROGRAM THAN ANY OTHER UNDER THEIR DIRECTION. IT IS ONE OF THE MOST POPULAR PROGRAMS THAT THEY ADMINISTER, AND IT IS MOST ASSUREDLY WELL SUPPORTED AT THE LOCAL LEVEL WHERE RC&DS EXIST. ALSO, DOLLAR FOR DOLLAR, WE BELIEVE THAT FOR THE AMOUNT OF FUNDING WE HAVE RECEIVED, THIS PROGRAM HAS ACCOMPLISHED MORE THAN OTHER PROGRAMS. THEREFORE, IT IS VERY DIFFICULT FOR THOSE OF US WHO HAVE SUPPORTED THIS PROGRAM TO UNDERSTAND WHY THE SOIL CONSERVATION SERVICE AND THE U. S. DEPARTMENT OF AGRICULTURE DID NOT EVEN SUPPORT FUNDING FOR IT THIS YEAR IN THEIR BUDGETS.

ANOTHER ITEM I WOULD LIKE TO BRING UP IS THAT UNDER THE RC&D PORTION OF THE 1981 FARM BILL, IT WAS CLEARLY STATED THAT A RULE WAS TO BE WRITTEN FOR THE RC&D PROGRAM. IT IS NOW 1984 AND WE STILL DO NOT HAVE A RULE TO GO BY FOR THIS PROGRAM. AT THE NACD MEETING IN DENVER IN FEBRUARY, THE PRESIDENTS OF THE RC&D ASSOCIATIONS HAD A MEETING AND DISCUSSED THIS MATTER. IT WAS THE CONSENSUS OF OPINION OF THESE PEOPLE THAT THE SCS OR USDA WERE CERTAINLY NOT ADHERING TO THE LAW, SINCE THREE YEARS HAVE PASSED AND WE STILL DO NOT HAVE A RULE. I HAVE ALSO HEARD THROUGH THE GRAPEVINE THAT THE SCS IS WORKING ON THE 1985 FARM BILL, BUT THEY HAVE NOT INCLUDED THE RC&D PROGRAM IN IT. IF THIS TURNS OUT TO BE TRUE, IT CERTAINLY IS A VERY DISTRESSFUL AND DISTURBING SITUATION.

NOW TO OUR FUNDING SITUATION, OVER THE PAST SEVERAL YEARS THE RC&D PROGRAM HAS BEEN FUNDED FOR \$26,000,000. DUE TO INFLATION, OUR PROGRAM HAS NOT BEEN IMMUNE TO SETBACKS EITHER. DUE TO THE INFLATION BITE, LESS AND LESS MONIES HAVE BECOME AVAILABLE TO THE STATES FOR FILLING COORDINATOR AND CLERICAL

POSITIONS AND FOR THE FUNDING OF PROJECTS. THE SCS HAVE TOLD US THAT THEY HAVE TRIED TO MAINTAIN SOMEWHAT OF A BALANCE BETWEEN TECHNICAL ASSISTANCE AND MONIES FOR PROJECTS. I KNOW THAT PETER MYERS, CHIEF OF THE SOIL CONSERVATION SERVICE, HAS PUT A TOP PRIORITY ON TECHNICAL ASSISTANCE, BUT SOMEHOW THIS DOESN'T SEEM TO BE HELPING OUR PROGRAM AT THIS POINT. IN PLACES WHERE COORDINATORS RETIRE, THEY EITHER DO NOT FILL THE POSITIONS OR FILL THEM ON A 1/2 TIME BASIS. FOR INSTANCE, COLORADO DOES NOT HAVE ANY COORDINATORS AT ALL AND THE STATE OF ARIZONA HAS ONLY TWO COORDINATORS FOR 5 RC&D AREAS. I COULD GO ON AND ON WITH THIS KIND OF INFORMATION. AS FAR AS CLERICAL ASSISTANCE GOES, MOST OF THE RC&D CLERKS IN THIS COUNTRY ARE WORKING ON A PART-TIME BASIS. THE CLERK IN MY OWN HEADWATERS RC&D OFFICE IN BUTTE, MONTANA, WORKS 20 HOURS PER WEEK. IT IS ALSO VERY HARD TO TRY TO KEEP PART-TIME PERSONNEL AS THEY ARE ALWAYS LOOKING FOR A FULL-TIME POSITION. BELIEVE ME, THIS HURTS OUR PROGRAM A GREAT DEAL WHEN THE CITIZENS COME TO THE OFFICE OR TELEPHONE AND THERE IS NO ONE THERE TO ANSWER THEIR QUESTIONS OR TO TALK TO THEM. THIS IS OCCURRING IN RC&DS ALL ACROSS THIS NATION. THE REASONING BEHIND NOT FILLING THESE POSITIONS IS THAT THERE WOULD BE NO MONEY FOR PROJECTS AND THEY FEEL THAT SOME OF THE FUNDING SHOULD BE USED FOR PROJECTS. I AM SURE THAT THEY ARE RIGHT ABOUT THIS. HOWEVER, WHEN WE DO NOT HAVE FULL TIME COORDINATORS AND CLERICAL STAFF, IT HINDERS OUR PROGRAM A GREAT DEAL. I KNOW THAT MANY STATES WOULD LIKE TO HAVE MORE RC&DS WITHIN THEIR STATE BOUNDARIES AND WOULD LIKE TO HAVE NEW RC&DS NAMED BY MAKING APPLICATION FOR THEM. HOWEVER, WE DO NOT HAVE FUNDING ENOUGH AT THIS TIME TO TAKE CARE OF THOSE RC&DS THAT ARE IN EXISTENCE, LET ALONE TO START UP NEW RC&D AREAS. I WOULD BE THE FIRST ONE TO SAY THAT NEW RC&D AREAS SHOULD BE STARTED IF ONLY WE HAD THE FUNDING TO ENABLE US TO DO SO. WITH THE KINDS OF FUNDING PROBLEMS WE ARE FACED WITH TODAY, THIS IS ABSOLUTELY IMPOSSIBLE.

THERE HAS BEEN TALK OF USING THE RC&D PROGRAM TO BOLSTER RURAL DEVELOPMENT AT THE LOCAL LEVEL. THIS IS SOMETHING WHICH WE, OF COURSE, HAVE BEEN DOING ALL ALONG, WORKING IN RURAL DEVELOPMENT. WE FEEL THAT IF WE ONLY HAD THE FUNDING, WE COULD BE UNBEATABLE AT WORKING IN THE CONSERVATION AND RURAL DEVELOPMENT AREAS.

MANY OF US HAVE BEEN LOOKING AT GOING TO OUR STATE LEGISLATURES TO SEEK SOME TYPE OF FUNDING TO ASSIST OUR PROGRAMS IN OUR VARIOUS STATES. I KNOW I HAVE BEEN WORKING ON THIS IN MY OWN HOME STATE OF MONTANA. IN ORDER TO BOLSTER WHAT FUNDING WE DO RECEIVE FEDERALLY FOR THE RC&D PROGRAM, WE MUST START WORKING TO LOOK FOR SUPPLEMENTARY FUNDING FOR IT.

ASSOCIATED MEASURES ARE NOT COMING IN AS WELL AS THEY HAD PREVIOUSLY DUE TO THE LACK OF TIME COORDINATORS HAVE TO WORK IN THEM BECAUSE OF 1/2 TIME COORDINATORS OR NO COORDINATORS AT ALL.

EVEN THOUGH WE ARE TRYING TO SUPPLEMENT THE FEDERAL FUNDING AT THE STATE LEVEL FOR SOME TYPE OF STATE FUNDING, WE FEEL THAT WE HAVE TO HAVE THE FEDERAL FUNDING TO KEEP THE CONTINUITY OF THE PROGRAM AND WE KNOW THAT THE PROGRAM WOULD FAIL WITHOUT IT. MOST OF THE COORDINATORS OF RC&DS ARE SCS PERSONNEL, AND WE WOULD LOSE THEM IF WE DID NOT HAVE THE FEDERAL FUNDING CONTINUED. BECAUSE OF THE MAJOR PROBLEMS THAT WE ARE FACING AT THIS TIME WITH THE CUTBACKS IN RC&D PERSONNEL, WITH NOT ENOUGH MONEY FOR PROJECTS, WE ARE URGENTLY APPEALING

TO YOU THAT IN ORDER FOR TO PUT THE RC&D PROGRAM BACK AT THE STATUS IT HAD 5-6 YEARS AGO, WE MUST HAVE AT LEAST \$40-50 MILLION DOLLARS TO MAINTAIN THE PROGRAM.

WE KNOW THAT THIS IS BAD TIMING TO REQUEST MORE FUNDING WHEN THE BUDGET DEFICIT IS SO HIGH, BUT THOSE OF US WHO HAVE WORKED TO KEEP THIS PROGRAM OVER THE LAST SEVERAL YEARS FEEL THAT IN ORDER TO RETAIN IT, IT BECOMES IMPERATIVE THAT THE FUNDING BE INCREASED FOR THE RC&D PROGRAM TO ENABLE US TO BE ABLE TO FILL OUR COORDINATORS AND CLERICAL POSITIONS AND STILL HAVE MONIES LEFT OVER TO ALLOW US TO CONSTRUCT AND PLAN SOME PROJECTS. WHEN WE SEE THE BILLIONS OF DOLLARS GOING OUT OF OUR COUNTRY IN FOREIGN AID, I KNOW THAT I AND MANY OF MY COLLEAGUES THINK IF WE ONLY HAD A SMALL PORTION OF THAT MONEY, WHAT WE COULD DO WITH IT BY NOT ONLY HELPING TO ENHANCE OUR COMMUNITIES AND TO ASSIST THEM AT THE SAME TIME, BUT ALSO TO BE ABLE TO PUT SOME OF THE UNEMPLOYED PEOPLE TO WORK IN OUR AREAS ON PROJECTS. I AM SURE THAT IF YOU CHECK WITH THOSE RC&D AREAS WITHIN YOUR OWN STATES, YOU WILL FIND THAT THE SAME PROBLEMS EXIST OF NOT HAVING FULL TIME COORDINATORS AND CLERICAL STAFF AND NOT ENOUGH MONEY TO FUND PROJECTS. IF WE WERE TO RECEIVE MORE FUNDING FOR THE 1984-85 FISCAL YEAR, WE WOULD BE ABLE TO ALLEVIATE SOME OF THE PROBLEMS WE ARE HAVING WITHIN THE RC&DS ACROSS THIS NATION.

THEREFORE, ON BEHALF OF THE WESTERN RC&D ASSOCIATION AND ALL RC&DS ACROSS THIS NATION, I RESPECTFULLY REQUEST THAT YOU GIVE OUR REQUEST EVERY CONSIDERATION TO INCREASE THE FEDERAL FUNDING OF THE RC&D PROGRAM TO THE \$40-50 MILLION DOLLAR LEVEL SO THAT WE CAN RETAIN A PROGRAM THAT HAS MEANT SO VERY MUCH TO SO MANY AND SO THAT WE DO NOT GET FURTHER AND FURTHER BEHIND AND END UP LOSING A PROGRAM THAT HAS DONE SO MUCH FOR SO MANY.

THANK YOU FOR YOUR EVERY CONSIDERATION TO OUR FUNDING REQUEST AND TO YOUR SUBCOMMITTEE FOR ALLOWING THIS TESTIMONY.

COLORADO RIVER BASIN SALINITY CONTROL FORUM

STATEMENT OF JACK A. BARNETT, EXECUTIVE DIRECTOR

In support of the Administration's request for \$12.6 million in a consolidated USDA budget for the Colorado River Basin Salinity Control Program

Including:

- | | |
|---|----------------|
| 1) \$10 million for ASCS cost sharing | |
| 2) \$2.4 million for SCS planning,
technical assistance, monitoring,
and evaluation | |
| 3) \$200,000 for Extension Service, education
assistance | |
| Subtotal | \$12.6 million |

In addition:

- | | |
|--|------------------|
| 4) \$936,000 for ARS research support | |
| 5) \$500,000 for Cooperative State Research
Service, Agricultural Experiment Stations | |
| Subtotal | \$ 1.436 million |

TOTAL	\$14.036 million
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Mr. Everett Rank, the Administrator of the Agricultural Stabilization Conservation Service (ASCS), testified before this subcommittee concerning the need for funds for the Colorado River Basin Salinity Control Program. In behalf of the Colorado River Basin Salinity Control Forum, I present this testimony in strong support of the testimony given by Mr. Rank. The program that he proposes in his testimony has been discussed and negotiated with the seven Colorado River Basin states over a significant period of time. The Department of Agriculture and the states are in very close agreement as to the role that the Department of Agriculture can and should play in helping to control the salt contributions from irrigated lands in the Colorado River Basin so as to maintain the salinity concentrations in the Colorado River:

Legislation has been introduced by western senators and has been identified as S. 752 and H.R. 2790. S. 752 was the subject of hearings by the Senate Energy and Natural Resource Committee last September. We anticipate that Committee will very shortly be marking up the legislation and moving it to the Senate floor. H.R. 2790 is almost identical to S. 752 and is the subject of hearings by the House Interior and Insular Affairs Committee this week. The sponsors of the legislation in the House plan very early markup of the legislation. In the Senate, the bill was sponsored by all fourteen Basin senators and in the House the bill has been sponsored by many members of the Congress. The legislation authorizes new salinity control efforts for the Department of the Interior and creates a new salinity control program for the Colorado River for the Department of Agriculture.

Two additional bills have been introduced at the request of the Department of Agriculture that contain only the agricultural strategy portion of the legislation. They are S. 1842 and H.R. 3903. H.R. 3903 passed the House of Representatives last year and the two bills are subject to hearings by the Senate Agriculture Committee this week.

The legislation was prepared after many months of discussions and negotiation by the Basin states. This legislation authorizes the agriculture programs that were described in Mr. Rank's testimony. The legislation proposes a form of additional Basin state cost sharing, which would return 25% of the funds expended by the federal government, after significant cost sharing has been provided by local farmers. We believe this is a program whose time has come that it is essential that Congress act promptly to fund

this program. As evidence of the Administration's strong support for the program in these very fiscally troubling years, the Administration has recommended to the Congress for FY 84 and again this year recommends for FY 85 that the Congress start this new program by appropriating \$12.6 million. The states believe that this appropriation is not only very appropriate and timely, but is very necessary and are offering to come forward with an agreed upon share of the costs associated with the program.

The Colorado River Basin Salinity Control Forum is composed of representatives, appointed by the governors, from the seven Basin states of Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming. The objective of the Forum is to provide a basin-wide coordinated approach to control salinity concentrations of the River at acceptable levels while the states continue to develop their compact apportioned waters. Most of the members of the Forum are from the water resource and water quality agencies of the state governments. The gubernatorial appointees that are members of the Forum are listed on the letterhead that is a part of the first page of this testimony.

The Forum has presented statements to Congress in the past in support of funding for the Colorado River Basin salinity control program carried out under Title II of P.L. 93-320, the Colorado River Basin Salinity Control Act. In the past, most of the activities in the program were under the leadership of the Secretary of the Interior. Now there are very important activities that can, and should, be carried out under the direction of the Secretary of Agriculture. Studies in the Colorado River Basin since the passage of P.L. 93-320 in 1974 have shown that onfarm efforts can and should be as important as the programs authorized in the Act for the Department of the Interior. They appear to provide some of the most cost effective, short term, salinity control opportunities available in the Basin.

In the past, Congress has directed that a certain amount of funds be used from those appropriated for the nation-wide Agricultural Conservation Program (ACP). Special funding was designated by Congress as early as 1979 when \$1.7 million of the ACP program was designated to be spent in the Colorado River Basin for salinity control. Since that fiscal year, Congress has each and every year designated a certain amount ranging to as much as \$4 million. This level of funding is not adequate to make significant inroads into the salt contributions from the irrigated lands although the funding has been very helpful in getting the program started and identifying procedures that are necessary to be implemented for the program to be efficiently administered.

It is recognized that presently there are not adequate funds in this program to provide the level of support needed nation wide for ACP programs and to also provide the level of funding necessary to attack salinity problems created by agriculture practices in the Colorado River Basin. The Administration's request for a special line item in the amount of \$12.6 million is strongly supported by the Forum.

The Department of Agriculture has been cooperating with the Bureau of Reclamation, Environmental Protection Agency, other federal agencies, state agencies, and local agencies in the investigation of salt sources in the Basin which originate from irrigated agriculture. These salt contributions are due primarily to irrigation of lands which are underlain by saline geologic formations such as the Mancos shale. As a result of these studies, Congress directed the Department of Agriculture to initiate an onfarm improvement program in FY 1979 for salinity control in the Grand Valley of Colorado. In FY 1980, this was expanded to the Uinta Basin of Utah. Soil Conservation Service studies indicated that there is much yet to be accomplished in these two areas and several other areas are ready to start onfarm programs to reduce salinity pollution. The level of funding requested by the Administration will allow for the start of salinity control measures on farms in two additional areas. They are the Moapa Valley and the Virgin River Valley in Nevada.

The onfarm programs of the Department of Agriculture are designed to reduce the salt load through improved irrigation systems and onfarm water management. It includes the installation of irrigation pipelines, lining of

farmers' head ditches, installation of automated gated pipe, land leveling, and the use of drip and sprinkler irrigation on selected areas. These onfarm practices appear to be very cost effective means of salinity control.

Eight years of research has now indicated to us that the objective of controlling the salinity concentrations of the River at acceptable levels while the states continue to develop their compact apportioned waters cannot be met unless a significant onfarm program is implemented. We are excited about the opportunities these onfarm strategies provide. They afford not only water quality protection for downstream water users, but an opportunity for upstream irrigators to improve their farming practices, reduce soil erosion, improve soil chemistry, increase irrigation efficiencies, reduce required onfarm labor, and increase productivity.

The experience of the last three years has demonstrated that upstream irrigators are anxious to cooperate in the cost sharing programs implemented. They volunteer to participate and invest their own funds in a cost sharing effort. Perhaps as much as 25% of the total basin-wide costs will be paid by local farmers. Of the remaining funds spent, 25% will be paid back by the Basin states.

Implementation of this program will not only enhance the irrigation efficiencies of upstream water users, but downstream irrigators will be significantly benefited by improved water qualities. Improved water quality will reduce salinity problems in downstream soils. Also, millions of water users that use the Colorado River water for municipal and industrial purposes will reap the benefits of improved water qualities.

The U.S. has also made commitments as to water quantity and water quality to the Republic of Mexico. The seven Basin states are concerned under Title II of the Colorado River Basin Salinity Control Act of controlling the qualities of the waters for users in the U.S. However, this federal commitment to our neighbors to the south will be assisted by the onfarm salinity control programs now being advocated by the Department of Agriculture.

On behalf of the Colorado River Basin Salinity Control Forum, I thank you for the opportunity to present this statement.

NATIONAL RURAL HOUSING COALITION

STATEMENT OF ROBERT A. RAPOZA, LEGISLATIVE DIRECTOR

My name is Robert A. Rapoza and I am the legislative director of the National Rural Housing Coalition (NRHC). NRHC is a citizens' lobby concerned with low income housing and community development needs of rural areas. We have appeared before this committee before and appreciate the opportunity to testify today.

Mr. Chairman, in 1949, Congress set "a decent home and a suitable living environment for every American family" as a national goal. NRHC supports programs needed to achieve this goal.

The Administration continues to promote policies and programs which reduce the federal role in providing decent housing to rural, low income people.

For the third straight year, the Administration has proposed massive reductions in all federal rural housing programs. The President's budget, along with reducing overall rural housing programs by more than \$1 billion, calls for the elimination of programs targetted to low income households: home repair grants to the elderly, self help housing technical assistance grants and farm labor housing grants. There have already been significant reductions in federal rural housing programs.

Table 1

Reductions in Rural Housing Programs by Dollar Amounts and Units, 1980-1985

(in millions)	Actual FY80	Actual FY81	Actual FY82	Actual FY83	Estimated FY84	Estimated FY85
Total Rural Housing Dollars	\$4,219.5	\$3,941	\$3,883.6	\$3,104.8	\$3,439.78	\$2,436
Total Rural Housing Units	132,360	113,069	100,181	97,870	95,796	63,890

Approval of the administration's program will signal a further abdication of federal responsibility for decent housing for the poor relegating them to second class citizenship. Can the nation afford to let its people live in shotgun shacks or chicken coops, drinking unsafe water and living without adequate waste disposal systems?

Mr. Chairman, there are some compelling reasons for continuing FmHA rural housing programs for the poor and rural community development programs. For example:

- Almost 2 million occupied rural units are substandard. This means that close to 10 million rural people live in bad housing.
- Over 1 million occupied rural units lack complete plumbing.
- Almost 1 million occupied rural units are overcrowded.
- While the incidence of substandard housing has declined by 42% from 1970 to 1980, the number of low income rural people in substandard housing has remained constant -- nearly 850,000 in both 1970 and 1980.
- In 1980, rural areas had 1/4 of the U.S. population, but more than 1/2 of the nation's housing units lacking plumbing and 1/3 of the substandard housing. Yet in 1980, rural areas received only 70% of the federal per capita tax expenditures for housing in urban areas.
- About 500 rural counties have no federally chartered savings and loan association.
- A 1975 study found that banks and savings and loan associations in metropolitan areas had assets of \$8,800 per capita, as compared to \$3,400 per capita to nonmetro counties.
- Clean drinking water remains beyond the reach of over 8 million rural people.

Mr. Chairman, we appreciate the vital role you have played in ensuring the continuation of these important programs. With this in mind, we recommend the following appropriation levels:

- \$100 Million for the Housing Preservation Grants
Section 533 of the Housing Urban Rural Act 1983 creates a new program of home repair for low and very low income people. Over 1 million occupied rural units have inadequate plumbing and FmHA's record of obligating funds for such purposes under Section 504 is very poor. In FY83, less than 30% of the 504 loan money was obligated. Preser-

vation Grants, administered by private nonprofits and public bodies offers a solution to this problem.

- \$270 Million of the Rental Assistance Program (RAP)

The new housing legislation requires that virtually all RAP funds go to very low income families. Research has shown that the tandem combination of Section 515 and RAP compares favorably to other similar subsidy programs including Section 8/202. Section 505/RAP costs about \$4,600 per units per year; Section 8/202 costs \$6,800 per unit per year.

An appropriation of \$270 million will provide 20,172 units with deep subsidy for very low income households, or about 75% of the total financial by Section 515.

- \$15 Million for Self-Help Technical Assistance Grant Fund

The new housing legislation requires at least 30% of Section 502 within a state and 40% of Section 502 funds nationally go to very low income households. The Self-Help Technical Assistance Programs give eligible families the opportunity to help build their own home. On the average, self-help homes cost \$10,000 less than contractor built houses and the self-help borrower has an income 12% less than other FmHA borrowers. In order to insure that FmHA meet the statutory requirements on targetting, the Self-Help T.A. Grant Program should be expanded.

- \$5 Million for Section 525 Supervisory and Technical Assistance

A better policy than forcing families out of their homes and selling off federally financed housing at a loss of \$80 million to treasury, is one of providing families in trouble assistance and counselling so they may stay in their homes. There is ample evidence of the need for this assistance and an investment of \$5 million for counselling may save the government many times that in mortgage losses.

- \$40 Million for Farmlabor Housing Loans and Grants and the Implementation of Language to Set Aside Grant Funds For

Packaging Housing Developments for Farmworkers

Farmworkers are the worst housed of all rural people. The National Farmworker Housing Survey indicates a need in excess of 1 million units. Despite this, FmHA continues not to spend funds appropriated by the Congress for this purpose. The Housing Act authorizes the use of 10% of grant funds for preparing applications for farm labor housing. With difficulty of preparing applications for such developments and the decline of grant funds for this purpose, it is essential that this authority be used to increase the volume of housing produce for migrant and seasonal agricultural workers.

- Section 502 Targetting

The 1983 Housing Act requires the 40% of FmHA units on a state by state basis go to very low income people. This requirement was inserted in the law, we believe, because FmHA did not comply with previous requirements in the Housing Act. Section 517(o) of the Housing Act required that "to the extent practicable, at least 30% of Section 502 funds go to very low income households."

This is a new, difficult standard for FmHA. However, from the period between December 1 and February 28, about 25% of the loans went to very poor households. This is an encouraging sign and FmHA, through a recent Administrative Notice (AN) is making an excellent effort to meet this targetting goal.

Mr. Chairman, we think FmHA must meet two goals, one is to make the maximum assistance available to very low income people. The second, equal goal is to ensure that assistance appropriated by the Congress is made available to eligible households.

At this point it is too early to tell whether FmHA can meet both goals. FmHA housing lending does not reach a high volume until the spring. We believe that by June we will know whether legislative corrections will be necessary.

With respect to the rural water-sewer programs administered by Farmers Home, we ask that the Committee recommend two important changes.

First, the amounts for both grants and loans should be increased. The Administration's request for rural water-sewer grant funds is only \$90 million -- barely half the average amount available over the last three Fiscal Years. The request for loan funds is only 60% of the average amount available over the last three years.

These request figures are grossly inadequate to meet the needs of rural communities, particularly those with many fixed and low income residents. We recommend levels of at least \$200 million for the grant program and \$400 million for the loan program.

Second, we recommend that whatever rural water-sewer grant and loan funds are appropriated be released only after changes are made in the terms of financial assistance now offered by FmHA.

The current grant rate regulations arbitrarily deny any grant assistance to those communities with income levels above 85% of the statewide non-metro median family income -- most of rural America. Returning to the 1981 grant regulations, as was done with the "jobs bill" grant funds, is no solution to this problem. The 1981 regs result in converting most grant funds to interest subsidy payments for nominally market rate loans going to higher income rural communities.

The only fair solution is for the terms of all Farmers Home water-sewer grant and loan assistance to be governed by provisions equivalent to those adopted by the full House as part of HR 1190. These rules would allow slightly more liberal interest rates on loan funds and target grant funds more equitably to the most needy communities.

Mr. Chairman, thank you very much for hearing this testimony and we appreciate the opportunity to appear before you today.

Table 2Rural Housing Funding Levels

<u>Loans</u>	<u>FY '84</u>	<u>FY '85</u>	<u>FY '85</u>
<u>Section</u>	<u>Appropriated</u>	<u>Administration</u>	<u>NRHC</u>
502 Sub.	2,070	1,440	2,300
502 Unsub.	230	160	25 (1)
504 Rehab.	24	5	12.5
514 FLH	19	13	20
515 Rural Rental	940	690	940
521 Rental Ass't	111	116	270
523 Site	0	0	3
524 Site	2	0	2
504 Repair	12.5	0	12.5
509 Comp. for Const. Defects	2	0	2
516 FLH	5	0	20 (2)
523 Grants	6	0	15
525 TSA Grants	0	0	5
533 Preservation Grants	<u>N/A</u>	<u>0</u>	<u>100</u>
Totals	3,421.5	2,424	3,727

(1) restricted for servicing

(2) 10% set-aside for packing of labor housing application

Table 3

DOLLAR LEVELS, FMAA PROGRAMS, FY 1979-1985
(Dollars in Millions and Rounded)

	1979	1980	1981	1982	1983	1984 Appo- riation	1985 Budget
Farmer Programs							
Farm Ownership loans	763.2	\$ 954.1	\$ 813.3	\$ 661.6	\$ 749.6	\$ 675.0	\$ 650.0
Farm Operating loans	894.8	874.8	847.6	1,251.0	1,735.5	1,910.0	2,070.0
Emergency Disaster loans	2,071.6	2,260.0	5,112.3	2,173.4	565.9	2,000.0	870.0
Economic Emergency loans	3,089.5	1,185.5	1,245.4	-0-	-0-	600.0	-0-
Guaranteed emergency livestock loans	19.0	-0-	-0-	-0-	-0-	0	-0-
Soil and Water loans	51.5	54.6	49.6	24.8	12.2	31.0	26.0
Irrigation and Drainage loans	.6	.5	.3	1.3	.6	0	-0-
Watershed & Flood Prevention loans	4.8	9.9	16.9	1.1	.8	26.0	-0-
Resource, Conserv. & Develop. loans	1.9	1.8	2.0	.9	1.2	4.0	-0-
Indian Land Acquisition loans	11.0	6.4	3.6	1.0	7.5	12.0	4.0
Grazing Association loans	2.1	4.2	-0-	-0-	-0-	0	-0-
Recreation loans	2.2	2.3	1.0	.7	-0-	0	-0-
TOTAL Farmer Programs	7,712.2	6,355.0	6,092.0	4,115.0	3,073.3	5,250.0	3,620.0
Rural Housing							
502 Home Ownership loans	2,870.1	2,843.4	2,509.3	2,476.4	2,137.1	2,300.0	1,600.0
504 low-income Repair loans	14.7	21.9	17.9	10.0	7.1	24.0	17.0
504 low-income Repair Grants	19.0	24.0	22.7	13.6	12.5	12.5	-0-
514 farm labor Housing loans	36.3	28.6	18.5	11.9	4.0	19.0	15.0
516 farm labor Housing Grants	32.4	23.3	10.5	14.9	7.5	12.5	-0-
516 farm labor Housing Grants	69.5	881.3	865.8	953.7	802.0	940.0	690.0
515 Rural Rental Housing	5.6	6.2	12.4	4.2	10.2	6.0	-0-
523 Self-Help I.A. Grants	4.7	1.3	.9	.4	.3	2.0	-0-
523 & 524 Site loans							
525 Tech. & Supp. Assistance Grants	2.5	1.5	1.0	-0-	-0-	0	-0-
Rental Assistance Contracts	423.0	393.0	403.0	390.0	123.7	111.0	116.0
509(c) Comp. for Constr. Defects	.4	.6	.7	.3	.3	.2	-0-
TOTAL RURAL HOUSING (a)	4,286.2	4,220.1	3,941.7	3,003.9	3,105.5	3,429.0	2,456.0

Table 3--Continued

Community Programs							
Water and Waste Loans	906.0	700.0	750.0	375.0	600.0	270.0	250.0
Water and Waste Grants	291.6	290.7	210.4	133.0	313.2	93.7	90.0
Community Facilities Loans	247.0	240.0	260.0	126.2	130	130.0	100.0
Rural Development Grants	10.0	10.0	5.0	-0-	-0-	-0-	-0-
Rural Dev. Planning Grants	5.0	6.0	-0-	-0-	-0-	-0-	-0-
Energy Assistance Grants	10.7	20.4	16.5	3.3	-0-	-0-	-0-
Business and Industrial Loans	1,219.3	1,073.0	652.3	125.1	81.9	300.0	-0-
TOTAL COMMUNITY PROGRAMS	2,691.6	2,340.9	1,094.2	763.4	1,125.1	793.7	460.0
TOTAL ALL PROGRAMS	\$ 14,690.0	\$12,924.0	\$13,920.7	\$ 8,763.1	\$ 7,303.9	\$9,400.7	\$6,496.0

(a) Construction defects program authorized at \$2.0 for FY 01, 02 and 03 was proposed at zero for 04 and 05.

Source: Housing Assistance Council

Table 4
FEDERAL HOUSING UNITS FISCAL YEARS 1979 - 1985

Program	1979	1980	1981	1982	1983	Appropriation 1984 (est)	Budget 1985
502 Subsidized	74,589	76,005	74,630	56,050	51,211	40,130	52,200
502 Unsubsidized	35,793	25,910	12,603	5,107	709	-0-	-0-
502 Above Moderate	377	597	174	-0-	-0-	-0-	-0-
504 Loans	5,651	7,570	5,799	2,771	1,993	6,245	4,400
504 Grants	6,042	5,598	7,607	3,937	3,670	3,413	-0-
514 FIM Loans							
516 FIM Grants	2,575	1,606	913	565	301	775	500
515 Subsidized	36,521	33,565	29,643	30,616	23,406	25,001	19,000
515 Unsubsidized	2,129	2,277	704	-0-	-0-	-0-	-0-
Sub-Total Units	164,477	156,927	132,241	99,046	81,290	84,452	55,900
Rental Assistance Units*	22,623	20,000	17,655	14,200	11,750	11,750	10,500
TOTAL UNITS	187,100	176,927	149,896	113,246	93,040	96,202	66,400

*Not unduplicated units, housing unit production contained in subtotal

Source: Housing Assistance Council

COUNCIL FOR RURAL HOUSING AND DEVELOPMENT

STATEMENT OF HERBERT F. COLLINS, PRESIDENT

My name is Herbert F. Collins. I am Chairman of the Board of Greater Boston Development Corp., and President of the Council for Rural Housing and Development, on whose behalf I appear today.

As a matter of background, the Council is composed of over 120 member organizations from 38 states who are active developers under the Section 515 program. Although we have been in existence just a little over three years, we have been quite active in both legislative process and in working closely with Farmers Home to assure workable regulations and procedures.

I am here today to testify on behalf of appropriations at the 1982 levels of \$940 million for the Section 515 program for FY'84 and \$400 million for rural rental assistance.

Rural Housing Needs

Although you may be generally familiar with rural housing needs, a few salient facts bring into sharp focus the housing needs of rural America.

Family income in non-metro areas, although growing, still lags significantly behind such income in metropolitan areas (\$18,069 vs. \$22,590). Although rural areas have only 26.7% of the nation's population, they have 38.4% of those in poverty.

In non-metro areas, 36% of renters who occupy adequate housing spend more than 30% of their income to do so. For very low income house renters, those below 50% of median, 78% of the renters occupying adequate housing have such affordability problems. Non-metro houses are twice as likely to have kitchen and heating defects, three times as likely to have plumbing defects, and ten times as likely to have inadequate sewage systems than homes located in metropolitan areas.

Although housing needs are greatest in rural America, the supply of credit to meet such needs is far less. A study found that in 1975 banks and savings and loan associations in large metropolitan areas had assets of \$8,000 per capita -- more than twice the \$3,400 per capita in rural and non-metro counties. In that same year, the savings and loans had deposits of \$2,000 in capital in the larger metro counties, compared with only \$70 per capita in totally rural, non-metro counties, and \$1,000 per capita in non-metro counties.

It is this mismatch of high need and low resources to meet this need that impelled Congress in the Housing Act of 1949 to establish the Farmers Home Section 502 home ownership program, and Section 515 rental housing program. We who work actively on the Section 515 program are proud of that program's record in meeting the needs of rural America renters. Since its 1949 inception, over 250,000 units of housing have been built. Of all the federal programs, Section 515 targets its assistance to those who need it most. A 1979 FmHA survey showed that nearly 85% of the occupants of Section 515 projects had incomes under \$9,000.

Section 515 is a cost efficient program. For Fiscal Year 1981, the cost of a Section 515 assisted unit was \$29,314 compared with over \$40,000 for a unit assisted under the Section 8 program. The delinquency rate of the Section 515 program is roughly 5%, and defaults are virtually nonexistent -- a record unmatched by any other housing program.

In addition, Section 515 results in good community development. The concentration of people in rental units can mean less federal, state and local tax dollars spent on streets and road construction and maintenance, sewer and water system construction, as well as public school transportation. Also, money spent on Section 515 creates a community asset that lasts for many years, as opposed to one-shot assistance under most social service programs. Although there may be a turnover of tenants in a rental project, the apartment itself continues as a resource for low income tenants for at least twenty years.

Specific Recommendations

With this background in mind, we wish to strongly recommend the continuation of an adequate level of funding for the Section 515 program. At a minimum, we recommend your appropriation of \$940 million, the same level as last year. Of course, we would like to see some increase to meet the ravages of inflation; however, we are also fully aware of the budgetary stringencies under which we are operating.

In addition, we urge an appropriation at approximately the 1982 level - \$400 million - for rental assistance contracts so that Section 515 units can be rented to the very lowest income families. \$400 million is the figure recommended by the House Banking, Finance and Urban Affairs Committee to the Budget Committee for fiscal 1985. The Senate banking committee recommended no specific figure for Rental Assistance, but the 1983 housing bill contained several initiatives which clearly indicate their intent that Farmers Home programs serve those most in need.

We believe this return to earlier levels in rental assistance funding is justified because it will allow the Section 515 program to serve more lower-income individuals, the people most in need of decent, safe housing.

Perhaps an even greater justification for this restoration of funds is that it will allow many communities currently shut out of the Section 515 program to receive its benefits. Many towns have enough people eligible for Section 515 housing to support an efficient development. In a typical case, some will need rental assistance, some will not. But the demand on the current supply of RA is such that unless there are enough people in that town who can afford the rents of a 515 project without rental assistance, no project is ever built.

The shrinking of rental assistance funding - from \$423 million in 1979 and \$398 million in 1982 to \$111 million in 1984 has not only resulted in fewer people of the lowest incomes being served by Section 515. It has resulted in fewer and fewer communities being able to receive its benefits. Every dollar of these rental assistance funds has been spent in past years. Many of our members report having done detailed analysis of communities where the lack of rental assistance is the only barrier to providing this badly needed housing.

The rental assistance program is perhaps the most important element in assuring that as many communities as possible receive the benefits of the Section 515 program - jobs and stimulation of business, as well as new, high-quality housing for those most in need of it.

We appreciate the past support you and this Committee have given to rural housing, Mr. Chairman, and we look forward to working with you in the future.

NATIONAL RURAL WATER ASSOCIATION

STATEMENT OF CLARK CRONQUIST, PRESIDENT, NORTH DAKOTA RURAL WATER ASSOCIATION

Mr. Chairman, the purpose of our testimony today is to express our appreciation to you and the members of the Committee for your support of two important programs that are critical to the development of rural America. The first is the rural water and sewer grant and loan program, which is the backbone for rural development in the country. Without this assistance rural businesses and rural families could not remain in the rural areas. Rural communities would not have the public facilities infrastructure necessary to fully participate in the American economic mainstream.

The second program is the Rural Water Circuit Rider training and technical assistance program. The program now provides roving rural water circuit riders in thirty-three states. Over the last program period these Circuit Riders assisted rural water systems with over 14,000 on-site technical assistance visits. In addition, these Circuit Riders have participated in over 350 one-day training sessions operated in small rural communities within these states.

Last year this Committee provided funds to expand the program from twenty-six to these thirty-three states. We want to report that all Circuit Riders are now in place and to express our deep appreciation for the support of this Committee in expanding the program.

When this program was developed four years ago it was the sense of this Committee and the rural water folks throughout the country that on-site technical assistance to small water systems would greatly improve the health conditions of those systems and would improve their management and operations. In a time of reduced public expenditures this appeared to be a very cost effective way to better utilize the funds available for the improvement of rural water systems. Circuit Riders working under the guidance of state rural water associations, were assured of the grassroots contact with small water systems that would make this technical assistance relevant and of immediate help.

We are pleased to report to you that the Circuit Rider program continues to accomplish these objectives. The Circuit Riders visit small systems who have requested assistance from state FmHA offices, state health departments or state rural water associations. During these visits the Circuit Rider works alongside the full or part-time operator, bookkeeper or manager to show them how to prevent problems such as unhealthy water supply and water loss, and to advise on leak repairs, rate setting, equipment repair and purchase, and better operation and maintenance procedures. In short, Circuit Riders help the operators and Boards of Directors of these small systems to become more self-sufficient in the operation of their own systems.

This is particularly important to small systems because of the part-time status of many operators and the continuing turnover of personnel and Board Members. Very few of these individuals have the time or resources to attend more formal training sessions. As a result, many of these systems continue to utilize inefficient operating procedures which often endanger the public health and require large capital expenditures to replace old facilities.

The Circuit Riders have made a major impact in working with small systems to resolve these problems. With on-site visits to over thirty-five small systems a month in each state the Circuit Riders have reduced small system non-compliance under the Federal Safe Drinking Water Act, have dramatically cut back on water loss thus saving scarce water as well as reducing the water costs to rural residents and have helped many systems establish cost-effective maintenance and expansion programs based on sound accounting principals and valid water rates. In state after state we are finding a significant improvement in small water system operations and a smooth working relationship between these systems and the Circuit Rider.

In another area the program has been an important factor in improving rural water system compliance with the Federal Safe Drinking Water Act. The experience of the Environmental Protection Agency continues to be that the primary problems with compliance with the Safe Drinking Water Act (SDWA) are with the small rural water systems. States with Circuit Riders have experienced reductions in non-compliance with the SDWA and now the state associations and state governments are beginning to address the problems faced by groundwater contamination. Recently EPA created a new Office of Groundwater Protection to address this problem which has been addressed routinely by Circuit Riders in their daily contact with road water systems.

The Circuit Riders are continually involved in cost reduction assistance. As you are aware, the FmHA grant and loan programs have been reduced while the need for rural water system funding continues to increase. This reduction in funds has put a premium on developing cost-effective methods for repair, maintenance and limited expansion programs for small systems. With the number of FmHA field staff in each state limited, the Circuit Riders have moved rapidly to respond to the requests for assistance from these small systems. Report after report from Circuit Riders provide new examples of more innovative and cost-effective actions taken with these systems.

Along this same line we are finding that State Rural Water Associations have become the major instigators of increased state funding for rural water systems. The availability of state government grants and loans reduce the pressure on Federal grant assistance. These state associations with the grassroots information and experiences of the Circuit Riders have made their successful cases before Governors and state legislatures. For example, both Oklahoma and Arkansas have adopted major bonded financial assistance for water development during the past year.

Attached is a summary of the Circuit Rider visits carried out in the twenty-six states during the most recent contract period. We know some of the members of the Committee have visited with the Circuit Riders in the field. We invite all of you to come spend some time with a Circuit Rider while he visits a small rural water system. We believe you will appreciate the value of the direct relationship between the Circuit Rider and the water system and the success this hands-on approach has in solving small system problems.

We are requesting that the Committee include the Circuit Rider program in the FY 84 appropriations for the Farmers Home Administration. This excellent program is underway and it has improved the effectiveness and efficiency of small rural water systems in these thirty-three states. We urge you to continue the program for the next year and we are making a special request that these funds be made as part of the regular appropriations process rather than through the Committee Report. The FmHA General Counsels Office has informed us that it will not recognize the language in the Committee Reports as binding for contracting with NRWA on this program.

CIRCUIT RIDER TECHNICAL ASSISTANCE VISITS:
October 1, 1982 - September 30, 1983

	<u>TOTAL</u>	<u>OPERATION</u>	<u>MAINTENANCE</u>	<u>MGMT</u>	<u>FINANCE</u>
ALABAMA	447	243	74	91	39
ARKANSAS	551	120	158	222	51
FLORIDA	541	341	41	126	33
ILLINOIS	544	94	409	31	10
INDIANA	597	300	166	96	35
IOWA -	522	395	36	66	25
KANSAS	506	228	67	205	6
KENTUCKY	685	552	128	4	1
LOUISIANA	557	223	155	103	76
MAINE	502	242	143	98	19
MINNESOTA	543	215	244	56	28
MISSISSIPPI	686	314	153	219	0
MISSOURI	535	282	207	26	20
MONTANA	542	226	204	105	7
NEBRASKA	635	297	79	192	67
NEW MEXICO	453	177	186	81	9
NEW YORK	515	384	126	5	0
NORTH CAROLINA	497	221	155	111	10
NORTH DAKOTA	520	237	226	40	7
OHIO	663	223	261	145	34
OKLAHOMA	573	221	116	214	22
OREGON	610	361	210	12	27
SOUTH CAROLINA	365	241	77	29	18
SOUTH DAKOTA	523	225	160	110	28
TENNESSEE	722	445	258	19	0
TEXAS	491	201	86	194	10
ROVING CIRCUIT RIDER	278	47	183	45	3
TOTAL	14,603	7,055	4,318	2,645	585

NATIONAL ASSOCIATION OF STATE FORESTERS
STATEMENT OF JERRY PRESLEY, STATE FORESTER FOR THE MISSOURI DEPARTMENT OF
CONSERVATION

NASF PROPOSED
RURAL COMMUNITY FIRE PROTECTION
FY 1985 BUDGET (\$7,000,000)

Mr. Chairman, I am Jerry Presley, State Forester for the Missouri Department of Conservation. I represent the National Association of State Foresters as Chairman of the Fire Committee.

My objective today is to obtain your understanding and support for our proposed Rural Community Fire Protection program.

The purpose of this program is to provide financial, technical, and related assistance to State Foresters to organize, train, and equip local firefighting forces in rural communities of 10,000 persons or less, including croplands.

The 50,000 volunteer fire departments in the U.S. served by more than one million volunteer firefighters which provide this fire protection need modern equipment, adequate training, and current advice on techniques of fire prevention and control to help them do this job safely and efficiently.

The State and Private Forestry Fire Protection program is the delivery system for cooperative fire protection. The program is administered by the 50 State Foresters, with funds allotted to local communities on a priority need basis. The funds must be matched on a 50/50 basis and traditionally are overmatched by recipients. Many states also put in a considerable amount of state funds. In Missouri for example, a \$100,000 federal allocation represents \$400,000 that is expended for their program. This does not include the value of federal excess equipment, training or other direct out lays of equipment provided to rural fire departments.

In some communities, firefighters must pay for protection, equipment, and training from their own funds. Public donations, bake sales, dinners, and socials are usually heavily relied upon to act as capital to acquire fire stations and equipment.

Rising costs of equipment, labor, and training make it nearly impossible for rural fire departments to maintain present levels of protection, much less improve the protection capabilities needed to handle growing rural problems.

Since the beginning of the program in 1975 over 10,000 rural fire departments have participated and an additional 300 new departments were organized. Each year requests for assistance under this very popular grassroots program exceed available funds by five to one.

We seek your support for \$7 million which will be used by State Foresters to assist these more than one million fire fighters to better protect rural improved property and assist State Foresters in wildland fire protection. These rural lands represent "home" for more than 40 percent of the country's population. Again relating to Missouri, if the above figure should prevail, we would probably receive an additional \$100,000 and this could easily mean an additional \$300,000 to \$400,000 in funding for our some 800 rural fire departments.

NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

STATEMENT OF BOB BERGLAND, EXECUTIVE VICE PRESIDENT

My name is Bob Bergland. I am Executive Vice President and General Manager of the National Rural Electric Cooperative Association, the national organization of nearly 1,000 rural electric systems that provide electric utility service to some 25-million consumers in 46 states.

Mr. Chairman, today I would like to present our recommendations for the REA financing program in the upcoming fiscal year. With your permission, in addition to my full statement I will submit for the hearing record copies of several resolutions adopted by the NRECA membership at our 42nd Annual Meeting, held earlier this year in San Francisco. These resolutions contain NRECA's positions on a number of important issues, including REA financing, that are within the purview of this Subcommittee, but which I will not have time to discuss in detail during my appearance before you this afternoon.

SUMMARY OF REA PROGRAM RECOMMENDATIONS

For the fiscal year to begin October 1, 1984, NRECA recommends:

- * REA Insured Loans (electric) \$850-million (minimum)
 \$1.1-billion (maximum)
- * REA Loan Guarantees (electric) \$1.2-billion (minimum)
 \$2.2-billion (maximum)
- * Preservation of present supplemental loan requirements unless changed by Congressional action.
- * Rejection of Administration proposals for a user fee in lieu of the present appropriation to meet the administrative expenses of REA.
- * Rejection of Administration proposals to impose a 140% increase in the REA insured loan interest rate.

RECOMMENDATIONS FOR REA INSURED FINANCING

As it does every year, the NRECA staff has compiled a comprehensive Loan Fund Survey to ascertain the anticipated capital requirements of rural electric systems during the upcoming fiscal year. Based on the results of that survey, we project that the need for this category of REA financing during this period will be steady and therefore recommend a continuation of the \$850-million (floor) and \$1.1-billion (ceiling) levels now in place.

I should point out that there are at least two factors that could have a direct and significant impact on the actual demand for REA financing in fiscal 1985. The first of these is the extent and duration of economic recovery, and the effect this could have on business expansion and housing construction in the rural areas served by REA borrowers. Meeting the energy needs of new consumers and the expanding power needs of today's rural people will require substantial new investment by the REA borrowers.

In addition, we know that a significant fraction of the poles, lines and other components of the rural electric distribution network are at, or beyond, their normal service life. This means that many rural electric systems will be forced to replace a good portion of this network over the next few years. Due to inflation and the more advanced -- and expensive -- technology in use today, however, these replacements will carry costs 300% or more higher than the original investment. This will have a major impact on the capital needs of the program over the next few years.

NRECA already is undertaking a major study to determine how much of our members' distribution plant will need to be replaced and when. We will, of course, share this information with the Congress when the results are finalized.

Because these two factors could result in expanded credit needs during fiscal 1985, we respectfully suggest that Congress provide all possible encouragement that REA make

full use of its lending authority, up to and including the \$1.1-billion maximum, if such amounts are needed to meet the legitimate needs of the borrowers.

PRESERVATION OF THE REVOLVING FUND

As you know, NRECA and the organizations of REA telephone borrowers are supporting legislation that will, we believe, create a long-term solution to the depletion and other fiscal problems of the Fund, preserving REA as a keystone of rural electric financing while encouraging and facilitating continued growth in our use of non-governmental sources of capital. We were most gratified, I must say, by the tremendous support which the House version of this bill -- H.R. 3050 -- received when it was considered by the full House recently. Hearings on the Senate's version, S. 1300, already have been held by the Agriculture and Forestry Subcommittee on Agricultural Credit and Rural Electrification, and I'm very much hopeful that we will be able to arrive at a fair and reasonable solution to the problems of the Revolving Fund during this Congress.

REA GUARANTEED LOANS

Turning to the REA guaranteed loan program for fiscal 1985, we are again this year recommending a floor and ceiling that are actually lower than those now in effect. Based on our surveys and other analysis of the expected demand for this type of financing, we are recommending a floor of \$1.2-billion, and a ceiling of \$2.2-billion for loan guarantees to rural electric systems. This represents a reduction of nearly two billion dollars from the loan levels now authorized -- a drop of more than 60 percent.

This comes on top of a reduction of some 30 percent which we recommended -- and you implemented -- in last year's loan guarantee levels. We believe, however, that this lower amount is a realistic estimate of actual need, given the continuing slowdown in construction of new generating and transmission capacity by rural electric.

I should point out, as I have in years past, that the REA guaranteed financing does not now, nor has it ever, involved any subsidy to borrowers or cost to the government. All REA guaranteed loans made through the Federal Financing Bank carry an interest rate equal to the full cost of capital, plus an add-on of one-eighth of a percent and an additional user fee, imposed during this Administration, for REA's servicing of these loans.

COMMENTS ON ADMINISTRATION PROPOSALS

Mr. Chairman, in prior years we have not discussed in any detail the loan levels and other recommendations for REA contained in the Administration's budget proposal, believing that our time is better spent in providing the Subcommittee an alternative point of view in a positive and constructive manner.

This year, however, we find it necessary to stray from that tradition and feel compelled to respond to the Administration's proposals for REA, as contained in the budget submitted to Congress earlier this year, and in legislation sent to the House and Senate by Agriculture Secretary Block within the past two weeks.

In addition to its budget proposal to cut rural electric lending to \$500-million in F.Y. 1984 -- a reduction of more than 40% from the present floor and nearly 55% from the current ceiling -- the Administration has drafted and submitted legislation to more than double the interest rate applied to loans made from the Rural Electrification and Telephone Revolving Fund and to eliminate funding of the administrative expenses of REA. Beyond this, the Administration proposal would sharply reduce the availability of REA financing to most rural electric systems, and deny all access to REA programs by any system with a consumer density factor of more than 10 per mile -- a density which is still only one-fourth that of the average investor-owned utility.

This Administration continues to ignore the enormous challenges rural electric cooperatives face in serving low density areas and keeping their rates at levels reasonably comparable to those charged in the cities and towns. If approved by Congress, their legislative proposal would cause the rates charged by most rural electric cooperatives to rise sharply, penalizing millions of consumers who already, according to REA's own data, pay an average of 14.45% more for electricity than the consumers of their neighboring investor-owned power company.

These are devastating proposals. If fully implemented they would deal a death blow to the rural electrification program as an essential instrument for achieving economic growth and social benefits in rural America. We have no alternative, in the interest of rural America, but to resist them with all our strength.

Mr. Chairman, with your permission I will submit for your review and possible inclusion in the hearing record a recent study we have prepared on the overall economic impact of the Administration's proposals for REA financing. This study contains numerous examples in which we have calculated the effect the Administration's proposals would have on individual REA borrowers, including some of the many systems already burdened with comparatively high rates, and/or serving consumers with average income levels far below that of the nation as a whole.

OTHER ISSUES

As in past years, I would call to your attention several areas of continuing concern on the operation of the REA lending programs under the present Administration.

With regard to the loan guarantees, for example, we continue to strongly oppose REA's arbitrary insistence that certain portions of a project -- pollution control equipment, for example -- must be financed separately and without the REA guarantee, particularly when 100 percent of these projects could be guaranteed within the amount authorized by Congress for this purpose.

We also are very much concerned by the Administration's evident and continuing determination to reduce the role and function of REA by major increases in the percentage of non-REA financing borrowers must obtain in conjunction with their REA loans.

We commend the Congress for actions taken during the last two years to forestall any arbitrary or capricious change of policy in this area -- particularly when the motivation behind such changes would obviously be to justify subsequent proposals to reduce the overall availability of REA insured loans.

Provisions contained in S. 1300 and its companion bill in the House, H. R. 3050, would address this issue directly, providing clear guidelines on the establishment of these ratios in the future. It's possible, however, that efforts to prolong debate or other circumstances could prevent enactment of this bill before the end of fiscal 1984. Should this occur, and lacking any other legislative impediment to preclude the Administration from making its desired changes in these ratios and criteria, we are concerned it will go ahead and do so at its first opportunity in October of this year. For this reason we hope the Subcommittee will consider extending the language on this subject as contained in the current appropriations measure, thereby preserving the "status quo" at least until a permanent resolution of this issue is achieved through congressional action.

Mr. Chairman, as I mentioned at the outset, there are a variety of other issues on which NRECA and our rural electric system members have great interest and concern. I have provided the Subcommittee with a number of resolutions which state our policies and goals in these key areas, including several pertaining to rural development policies and programs which we consider to be of extreme importance to the rural population we serve.

I commend these to the attention of this panel, and would emphasize that that the fact I have not taken time to discuss these issues in my statement is in no way meant to imply a diminished commitment in these areas by NRECA.

In closing, Mr. Chairman, let me once more extend my great appreciation to you and the members of this Subcommittee for your continuing interest and support for the rural electrification program.

If there are any questions which you or the Subcommittee have at this time, I would be pleased to answer them to the best of my ability.

ECONOMIC IMPACT OF ADMINISTRATION'S PROPOSALS RELATING TO REA FINANCING

The Administration's FY1985 Budget, released on February 1, 1984, contains several significant proposals relating to the financing program of the Rural Electrification Administration (REA). This paper explains and evaluates quantitatively the economic impact of each of the proposed changes on the rural electric systems.

Reduced Loan Levels

The Budget proposes an REA insured electric loan program of \$500 million during FY1985. The current year's loan level is not less than \$850 million nor more than \$1,100 million, i.e. from 70% to 110% greater than the proposed level.

Since the rural electric systems' capital requirements exceed the \$850 million minimum level for the period, the additional \$350 million would have to be borrowed from non-REA sources. According to the OMB, the borrowing rate would likely be 13.9% ^{1/}, instead of the current REA rate of 5%. Thus, the additional interest costs to the rural electric systems would amount to \$31.15 million.

In addition to the costs related to higher interest rates, rural electric systems would also increase rates sufficient to maintain the Times Interest Earned Ratio (TIER) as required by REA and CFC. A TIER of 2.0 is used in this paper, well below the distribution systems average of 2.4. This would increase rates by \$31 million, requiring a total annual rate increase of \$62.3 million, attributable to the Administration's proposal to reduce REA loan levels by (the minimum of) \$350 million.

Increasing REA Interest Rates

Another major proposal included in the Budget language is to increase the interest rate on REA insured loans to the cost of Treasury borrowings, currently approximately 12% (long-term). The annual interest costs on the proposed \$500 million would be \$60 million, an increase of 2.4 times the amount under the current REA interest rate. The increased revenue required to maintain a 2.0 TIER is an additional \$35 million. Thus, the total annual revenue increase attributable to the proposal to increase insured loans to the Treasury cost of money is \$70 million.

REA Administrative Costs

The Budget further reports that the Administration intends to "fund REA administrative costs with user fees," requiring the REA interest rate to increase to some level above the current 12% cost-of-money rate.

The Budget lists the costs of the administration of rural electrification to be \$15.5 million. Depending on how these costs are absorbed by each year's insured loan program, the increased interest rate could vary from 0.37% (if spread over the life of the loan) to as much as 3.0% (if paid during the year of the loan approval).

In any event, the rural electric borrowers will incur additional annual costs of at least \$15 million attributable to this proposal.

Appropriations Rescission

The Administration's Budget also proposes to rescind the previously approved \$198 million appropriation to reimburse the REA Revolving Fund for prior losses attributable to the interest differential between its lending and borrowing rates. The loss of these funds would result in additional borrowings by the Revolving Fund at a 12% rate, amounting to additional annual interest costs of \$24 million.

^{1/} Office of Management and Budget, *Special Analysis*, FY1985, p. F-28.

The incurrence of additional and avoidable interest expense to the Revolving Fund will exacerbate its current precarious condition. Also, under provisions of the proposed amendments to the rural electrification act (H.R. 3050 and S. 1300), the increased interest costs will be reflected in the interest rates on new REA loans to borrowers and may adversely impact rural electric systems.

Total Increased Costs

The table below lists the increased costs attributable to each of the Administration's proposals. A five-year period is used to indicate the cumulative effect of the proposals. The increased costs vary from \$172 million in the first year to over \$700 million in the fifth year.

The total increase per consumer is \$17.97 in the first year and increases to \$63.73 in the fifth year. The average effect would vary widely depending on the consumer's usage and other factors.

For this reason, the proposed changes have been applied to actual rural electric systems to assess their impact.

Table 1
INCREASED COSTS OF ADMINISTRATION'S REA PROPOSALS

<u>Administration Proposal</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
	<u>-----(\$million)-----</u>				
Reduced Loan levels ^{2/}	\$ 62.3	\$ 124.6	\$ 186.9	\$ 249.2	\$ 311.5
Increased REA Interest Rate (To Cost of Money)	70.0	140.0	210.0	280.0	350.0
User Fees for REA Administrative Costs	15.5	15.5	15.5	15.5	15.5
Rescission of \$198-Million Appropriation	24.0	24.0	24.0	24.0	24.0
TOTAL INCREASED COST	\$ 171.8	\$ 304.1	\$ 436.4	\$ 568.7	\$ 701.0
Average Per Consumer (dollars)	\$ 17.97	\$ 31.03	\$ 42.73	\$ 53.65	\$ 63.73

^{2/} Assumes stable \$500 million program (see Special Analysis, FY1985 p. F-56) instead of \$850 million.

Actual Examples of Impact of Proposals

Applying the Administration's proposed changes to rural electric systems directly, may provide a better indication of their effect than the overall national averages.

In each case, the co-op's actual amount of its last REA loan (FY1983) was used. The difference in annual interest costs between the 5% rate and a 13% rate (lower than the OMB's 13.9% rate) is listed. The additional revenues attributable to the increased interest rate to maintain a TIER of 2.0 is added to the additional interest costs for total costs.

The total Increased costs per consumer of each co-op is listed. These vary from somewhat over one dollar per month to as much as \$19 per month in an extreme case. The average (median) of the co-ops' increase, listed in the table below, is about \$39 per

year or more than \$3 per month. This is the annual increase for their latest loan only and would increase further with each additional loan.

The additional interest payments over the 35 year life of the loan are also listed. These are not discounted to present value.

The co-op's rate comparability with a neighboring utility is listed. This comparison is conducted by REA, at a 1,000 kWh usage level. Only two of the co-ops listed have rates that are not higher than neighboring investor-owned utilities and most have rates that are substantially higher.

The last column is a comparison of the per capita income of consumers of the rural electric systems with the national average. The co-ops' consumer income levels are substantially lower in each instance.

Conclusion

The Administration's proposals to change REA financing will, if enacted, increase the electric rates of rural consumers by hundreds of millions of dollars annually. The effect on individual consumers can be to increase their monthly electric bill by over three dollars per month for each loan their cooperative receives.

These cost increases would severely aggravate present rate disparity and place additional financial burden on persons whose per capita incomes are substantially below the national average.

Table 2
 ACTUAL EXAMPLES OF IMPACT OF ADMINISTRATION'S
 PROPOSED REA CHANGES ON INDIVIDUAL
 RURAL ELECTRIC COOPERATIVES

State	Most Recent REA Loan ² / (\$000)	Additional Interest ⁴ / -----(\$000)-----	Annual TIER ² / -----(\$000)-----	Annual Costs Total	Annual Increase Per Consumer (dollars)	Additional Interest Over Life of Loan (\$000)	Rate Comparability ⁵ / (percent)	Consumer Income % Below National Average ⁷ / (percent)
<u>ALABAMA</u>								
(Baldwin County)	\$ 2,255	\$ 180	\$ 180	\$ 360	\$ 20.22	\$ 5,585	+ 27%	- 21%
(Pea River EC)	910	73	73	146	12.13	2,254	+ 11%	- 31%
(Franklin EC)	700	56	56	112	18.55	1,734	- 12%	- 30%
<u>ARKANSAS</u>								
(SW ARK)	9,966	797	797	1,594	85.86	24,681	+ 18%	- 26%
<u>FLORIDA</u>								
(Talquin)	1,963	157	157	314	38.00	4,861	+ 04%	- 43%
<u>IOWA</u>								
(Clarke EC)	2,700	216	216	432	100.77	6,687	+ 55%	- 15%
(Plymouth EC)	1,689	135	135	270	89.73	4,075	+ 15%	- 11%

State	Most Recent REA Loan 3/ (\$000)	Additional Interest 4/ (\$000)	Annual TIER 2/ (\$000)	Costs Total	Annual Increase Per Consumer (dollars)	Additional Interest Over Life of Loan (\$000)	Rate Comparability 6/ (percent)	Consumer Income % Below National Average 7/ (percent)
<u>KENTUCKY</u>								
(Jackson County)	2,626	210	210	420	13.89	6,503	+ 30%	- 48%
<u>LOUISIANA</u>								
(Bossier)	2,800	224	224	448	41.50	6,934	+ 66%	- 24%
<u>MISSOURI</u>								
(Ozark Border)	5,467	437	437	875	39.22	13,539	- 05%	- 49%
<u>NEBRASKA</u>								
(Seward County PPD)	1,200	96	96	192	74.62	2,972	+ 08%	- 21%
<u>NEW MEXICO</u>								
(Jemez Mt.)	2,717	217	217	435	25.24	6,728	- 04%	- 43%
<u>NORTH CAROLINA</u>								
(Lumbee River)	3,710	297	297	594	29.91	9,188	+ 28%	- 41%
<u>NORTH DAKOTA</u>								
(Verendrye EC)	3,200	256	256	512	72.20	7,925	+ 13%	+ 04%

State	Most Recent REA Loan ^{3/} (\$000)	Additional Interest ^{4/} ----- (\$000) -----	Annual TIER ^{2/}	Costs Total	Annual Increase Per Consumer (dollars)	Additional Interest Over Life of Loan (\$000)	Rate Comparability ^{5/} (percent)	Consumer Income % Below National Average ^{1/} (percent)
(Williams EC)	4,600	368	368	736	210.35	11,392	- 14%	+ 41%
(Cavaller REC)	860	69	69	138	81.85	2,130	+ 16%	+ 05%
<u>OKLAHOMA</u>								
(Oklahoma EC)	7,400	592	592	1,184	55.69	18,342	+ 06%	- 16%
(Northfork EC)	2,100	168	168	336	55.16	5,201	+ 63%	- 19%
<u>TEXAS</u>								
(Rio Grande)	9,701	776	776	1,552	228.87	24,025	+ 33%	- 35%
<u>WASHINGTON</u>								
(Inland P & L)	3,621	290	290	580	28.70	8,967	+ 56%	- 10%

^{3/} Actual amount of last REA loan.

^{4/} Annual increase in interest expense of the REA loan under current rate (5%) compared to proposed rate at cost of money plus administrative costs plus higher supplemental ratios (total estimated at 13%).

^{5/} Additional revenues required to maintain a 2.0 TIER.

^{6/} REA comparison of co-ops charges with neighboring utility (at 1,000 kwh). Note: + means co-op rates are higher and - means co-op rates lower.

^{7/} Weighted per capita income data of co-op service area as a percent of the national average. (Based on U.S. Commerce data.)

SELECTED RESOLUTIONS
ADOPTED AT THE NRECA 42nd ANNUAL MEETING

Rural Electric Self-Sufficiency Act

Legislation has been introduced in Congress entitled the "Rural Electrification and Telephone Revolving Fund Self-Sufficiency Act of 1983" (S.1300 and H.R. 3050). This important legislation incorporates the membership-endorsed recommendations of the NRECA Committee on Financing for the Future and has received widespread bipartisan support in Congress. If enacted, the legislation would provide the following benefits. It would:

Restore balance and long-term stability to the Rural Electric and Telephone Revolving Fund through periodic revision of the standard rate on REA insured loans;

Stabilize the federal investment in the Revolving Fund by converting funds appropriated by Congress for loans made prior to 1973 into a permanent capital investment in the Fund;

Meet the special needs of borrowers which operate in very difficult economic circumstances, including serving sparsely settled rural areas, through a Congressionally-mandated special interest rate in the Revolving Fund which would be funded through a combination of loan repayments to the Revolving Fund and from appropriations when necessary;

Facilitate the future growth of supplemental financing through provisions to adjust ratios as needed, and encourage the sharing of REA's security interest in its borrowers;

Preserve the present REA loan guarantee program in its present form, including continued access to the Federal Financing Bank for the funding of these loans; and

Enable the refinancing of loan guarantees and CBOs when interest rates drop at least one percentage point.

We strongly urge early passage by Congress of this critically-important legislation and that it be signed into law by the President.

Financing

Rural electric cooperatives can meet their responsibilities only if they are able to contain an adequate volume of capital. Their consumer members, in turn, must have fully adequate electric service in order to produce the food and other essentials for a growing nation and its vital foreign trade. Such production combats inflation and contributes toward national self-sufficiency in the supply of energy, which is essential to full employment, national security and many other aspects of the general welfare.

We commend the Congress for treating the REA Revolving Fund similar to other USDA revolving funds by providing an appropriation in the amount of \$198-million. We urge REA to utilize these funds to offset borrowing.

Data provided by NRECA Loan Fund Survey indicated that the insured loan demand for fiscal 1985 will exceed \$850-million. An authorization for fiscal year 1985 of REA insured funds of not less than \$850-million nor more than \$1,100-million reflects minimum required levels and is entirely consistent with the national objective of controlling inflation and exercising fiscal restraint and responsibility.

We urge the Administration to utilize the full amount of loan authority provided by the Congress and approve loans consistent with the ceiling level. We urge maintenance of the current ratios between REA and concurrent loans. We oppose any effort to deny G&T systems their legal eligibility for insured loans.

Guaranteed Loan Program

REA loan guarantees are absolutely essential for rural electric power supply financing. The REA loan guarantees are uniquely advantageous in providing financing for essential power supply facilities for rural consumers without incurring any costs whatsoever to the government.

Due to the significant uncertainty regarding the timing of power supply project financing, it is extremely difficult to project a precise level of required funding. We urge the Congress to legislatively ensure that adequate financing will be made available for power supply facilities, such as by establishing a "floor" on REA loan guarantees.

We urge REA to make loan guarantees in the full amount of the project and not reduce it by any particular basis or arbitrary percentage.

Federal Financing Bank

The Federal Financing Bank (FFB) has served to coordinate and facilitate government credit activities in an efficient and advantageous manner. It should be continued without change.

FFB funding of REA loan guarantees is mutually beneficial to the government and to the borrower. The borrower saves a substantial 150 basis points in interest costs and the FFB makes about \$5-million on each year's guarantee program.

We commend the Congress for mandating the availability of the FFB funding of REA loan guarantees. We oppose any effort to restrict the FFB participation.

Lease Financing

The Economic Recovery Tax Act of 1981 expanded the benefits to taxable entities including investor-owned utilities in the sale and transfer of tax benefits. Rural electric generation and transmission systems were greatly interested in the possibility of using these provisions in order to reduce the high cost of generating facilities; however, the Act did not permit tax-exempt entities to participate in this kind of leasing so only those taxable G&Ts could take advantage of the tax benefits.

The high costs of money today obligates us to take whatever stand we can to minimize the economic impact of new generation and transmission facilities on our rural electric consumers and their communities.

The Congress has enacted restrictive changes in this leasing in the "Tax Equity and Fiscal Responsibility Act of 1982." This bill would prohibit the use of this tax leasing benefit for investor-owned utilities by denying its use for public utility property and to most rural electric cooperatives by additionally denying its use by organizations that have been tax-exempt within five years prior to the lease. Both of these provisions are discriminatory against public utility property and particularly against rural electric cooperatives.

We urge Congress to repeal these discriminatory utility leasing provisions. OMB's prohibition on the use of REA loan guarantees as senior debt capital in lease financing should be eliminated immediately.

Lien Accommodation

In order to obtain capital at reasonable rates, it is necessary that REA agree to provide lenders with an accommodation (sharing) of its lien on the property of the borrower.

REA's present policies and practices governing the granting of lien accommodations are overly-restrictive. As presently interpreted, these policies make it difficult for a private lender to obtain an acceptable lien accommodation to secure its loan. Further, REA procedures for processing requests for such lien accommodations are extremely time-consuming and cumbersome and should be improved.

We support legislation to require the REA Administrator to revise REA policies to enable private lenders to obtain marketable security interests for their loans by providing adequate lien accommodations.

Federal Financing Bank Interest Rates

A dispute between REA and the FFB regarding payment for servicing loan guarantee debt has resulted in an additional fee to REA borrowers on all new guarantees. The existing fee of .125 percent is more than adequate, and according to the Treasury, it has resulted in the FFB collecting \$784-million in excess of its expenses since 1974. REA does not need any payment to cover its administrative costs since these are covered by annual appropriations. In addition, the new fee is discriminatory since it applies only to REA loan guarantees.

We therefore urge that the addition to the standard fee of .125 percent be rescinded immediately.

Preservation of American Farmland

There can be no doubt that all productive farmland, whether it be prime farmland or not, is a valuable natural resource that must be protected. The losses of productive farmland to competing non-farm uses over the last several years and the further losses anticipated in the future should be of major concern to every citizen of the country.

Clearly, certain uses of land such as for industrial or residential development pre-empt use as farmland. However, other uses, such as for high voltage transmission facilities, are generally compatible with use of land for agricultural purposes. Furthermore, the location of high voltage transmission and generating facilities in agricultural areas is often necessary to insure an adequate and reliable supply of energy to assist in increasing the productivity of the land.

There is also a continuing need for soil and water conservation programs especially in the areas where fragile lands are being plowed-up for use in cultivated crops.

We urge cooperation between government at all levels and the private sector to seek the most efficient use of farmland whenever possible. We pledge our support and resources to organizations dedicated to achieving workable programs which will allow for the most efficient use of our nation's farmland.

Implementation of Rural Development Policy Act

NRECA was the first major, rural-oriented organization to support the Rural Development Policy Act when the annual meeting of 1978 adopted a resolution specifically calling for Congress to pass the Act. During the struggle to enact this important rural legislation, many farm and rural organizations joined with NRECA in support of the bill which became law.

Among other things, the legislation mandates that the Executive Branch continue rural development. It directs the Secretary of Agriculture to coordinate all federal rural development, which in effect, assigns to USDA the lead role for government's activities in this field.

Moreover, the Act requires the Secretary of Agriculture to formulate a nationwide rural development program and to see to it that it is carried out. To assist him, the law creates the position of Undersecretary for Small Community and Rural Development. The Act also requires establishment of a process to assess local development needs involving input from state and local governments. And further, the law requires the USDA to prepare an analysis of the President's budget recommendations relevant to rural development.

Under the Act, USDA is to submit its recommendations for rural development strategy annually to the House and Senate Agriculture Committees as well as its assessment of rural development needs, and its analysis of budget recommendations.

We urge the Administration to implement this law in such a manner as to achieve to the greatest extent possible the objectives of the Act. We urge Congress to exercise in-depth oversight to insure that rural America receives the maximum benefits of the legislation.

Economic Plight of Rural America

The current Administration has refused to take any meaningful steps to aid or otherwise bolster the farm and rural economy. To the contrary, they seem intent on actions which only serve to worsen the situation, including, of course, cutbacks in the REA program which would increase energy costs for farmers and other rural residents.

Perhaps just as tragic, however, is the unprecedented increase in the pace of farm loan foreclosures by the Farmers Home Administration and other agricultural lending agencies. Business failures in rural areas and small towns, which are closely tied to a healthy agricultural economy, are increasing rapidly.

The nation's agricultural production is the very cornerstone of our domestic economy and the major component of our exports, we believe strongly that our government has an obligation to help preserve - not destroy - our farm economy. We call on the Administration to take immediate steps to stem the rising tide of bankruptcy and foreclosure in rural America, and implement emergency procedures to restore a strong and viable farm and rural economy.

Jobs Creation Campaign

Unemployment and underemployment in rural areas remain at a high level exceeding the national average. Present estimates indicate that fewer than five million of 55 million rural Americans derive their principal income from farming. A large number of rural residents who are unemployed or underemployed are members of rural electric systems. It is in the interest of consumer-members for their rural electrics to assist in stimulating job opportunities in their service areas along with related community facilities and services.

Such an effort can help stabilize rural population so as to avoid another flood of rural outmigration which decimated scores of rural communities in the '50s and '60s. Moreover, it can help slow the escalation of electric rates. And such an effort can earn for our systems recognition as service-oriented organizations of essential economic and social value to their service areas.

We therefore recommend that rural electric systems support, to the fullest extent possible, a national rural jobs creation campaign. Also, we request that the Rural Electrification Administration actively assist its borrowers in such as undertaking.

In addition, we ask our national association to develop in cooperation with a broad representation of the rural electric leadership a plan for a nationwide promotional and informational effort to provide backup and guidance for the activities of NRECA member systems.

Reorganization of Rural Development

The recommendation of the Senate Government Operations Committee that the Economic Development Administration be transferred from the Department of Commerce to the Department of Agriculture is a more logical one in our opinion than the Administration's proposal to shift EDA to the Department of Housing and Urban Affairs.

We believe that EDA could be combined with the non-farm rural development programs of Farmers Home Administration into an effective development agency within USDA. We also would recommend that the Office of Rural Development Policy become part of such an agency.

FmHA is no longer able to effectively administer both farm and non-farm programs and as a result has downgraded the priority of the latter. This situation will continue, in our view, until USDA takes steps to reorganize its rural development responsibilities by assigning them to a new agency so as to give them the high priority which Congress directed that they have.

NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

STATEMENT OF DAVID C. FULLARTON, EXECUTIVE VICE PRESIDENT

SUMMARY

Mr. Chairman and Members of the Subcommittee. My name is David C. Fullarton. I am the Executive Vice President of the National Telephone Cooperative Association (NTCA). NTCA is a national trade association representing 450 locally owned and operated small telephone systems located in rural areas of 42 states.

I appreciate the opportunity to submit testimony concerning the Rural Electrification Administration (REA) telephone programs. Few rural telephone systems would have been able to extend service to sparsely settled areas without the capital made available through the programs of REA.

NTCA would like to express its appreciation to the subcommittee for its long-standing support for REA and for many programs of vital importance to rural America. We would also like to express our disagreement with the Administration's recommendations on FY 1985 lending authority for REA and the Rural Telephone Bank (RTB) and its attempt to rescind both the FY 1984 RTB capitalization and the FY 1984 appropriation of nearly \$198 million to reimburse the Revolving Fund interest subsidies in prior years, not previously reimbursed.

The Administration has also proposed two policies which would drastically alter the REA program and penalize REA borrowers and their subscribers. One proposal would require that the interest rate for REA loans parallel the government's cost of borrowing. This would raise the interest rate on REA loans from the current statutory ceiling of 5% to approximately 12%, a rate which the Administration acknowledges greatly exceeds the rate needed to keep the revolving fund's interest income and expenses in balance. Clearly, such a high interest rate undermines the benefits of the REA program. A second proposal would require REA borrowers to pay REA's administrative costs via user charges. Such charges would add to already onerous rate increases rural subscribers will pay as a result of deregulation.

We are pleased to note progress in an area that concerned us last year, the decline in REA personnel in the Telecommunications Engineering Standards division. We hope the bolstering of this division, which plays a crucial role in maintaining high technical quality in rural telephone service, will continue. We remain disturbed, however, by the continual decline in staff size. In 1983, the number of staff years was at a level just above that of 1944, prior to the establishment of the telephone loan program. (REA, A Brief History of the Rural Electric and Telephone Programs, 1983, Table D-6)

The telephone industry is in the midst of a tremendous upheaval. Due to changes in the industry and in regulation under the Federal Communications Commission, the future of universal telephone service is precarious. The rates for rural telephone service threaten to skyrocket. We believe that the continued presence of REA and its funding programs will be a critical element in maintaining the rural telephone network, and that the policies set by this Subcommittee and by the Congress as a whole will "make or break" service to thousands of rural subscribers. In short, this is no time to cut back the REA program.

Instead, we recommend that the Subcommittee provide the FY 1984 range in lending levels again for FY 1985 instead of the administration proposals, as in the tables below:

	<u>NTCA RECOMMENDATIONS</u> (millions)	<u>ADMINISTRATION</u> <u>PROPOSALS</u> (millions)
Insured Loan Program	\$ 250 - 325	\$ 75
Rural Telephone Bank	\$ 185 - 220	\$ 185
Loan Guarantee Program	\$ 125 - 145	\$ 125
RTB Capitalization	\$ 30	-0-

The Importance of REA to Rural America

When the REA Telephone Loan Program was established in 1949, only 38% of the nation's farmers had telephone service. Almost all of that service was on party lines. Today, approximately 95% (REA figures) of rural farms and residences served by REA borrowers have telephone service. About 83% of that is single-party service. However, it is still not profitable to serve sparsely settled areas. The capital costs are higher, the number of customers is lower and the subscribers' average income is lower than in metropolitan areas.

Rural telephone companies continue to show both lower profitability and lower equity ratios which preclude most of them from borrowing from commercial lenders. Whereas commercial lenders generally require equity ratios of approximately 40%, REA borrowers have equity ratios averaging 26%. Whereas most commercial lenders require a borrower to show earnings which exceed interest payments by 200-300%, REA telephone borrowers' average earnings exceed interest payments by less than 137%. Fifty percent of the borrowers have fewer than 2,080 subscribers.

Clearly, rural telephone systems do not meet the financial criteria of commercial sources. Furthermore, changes in the telephone industry, which I will address later, suggest that this is a particularly inauspicious time to allow cuts in REA lending authority.

Yet, this is exactly what the Administration has proposed. Administration witnesses have stated that the demand for telephone loans is down and that the number of applications for telephone loans can be met despite a proposed reduction of 76% in REA telephone loans, 16% in RTB loans and 14% in loan guarantees. This temporary decline in loan applications is due to uncertainty about allocation of industry revenues under evolving regulatory procedures, and not due to lack of a need to update and expand facilities. Furthermore, as of January-31, 1984, REA had 210 applications for approximately \$900 million in telephone loans in process. These include 115 applications for over \$500 million with all engineering studies required by REA completed.

Ironically, the Administration proposal to eliminate the \$30 million capitalization for the Rural Telephone Bank in FY 1985 and rescind the FY 1984 capitalization would have increased the demand for lower interest rate loans from the insured loan program. The capitalization reduces the interest rates of RTB loans. The RTB loan funds are then blended on a case-by-case basis with loan funds from the Revolving Fund to produce a composite interest rate that REA judges to be the maximum that the telephone system can afford to pay. The interest rate for RTB loans for FY 1983 was between 10% and 11%. The statutory standard interest rate for Revolving Fund loans is 5%. If the interest rates in the RTB are higher, then more monies from the Revolving Fund must be used to produce an affordable composite rate. Fortunately, Congress declined to act on these rescission proposals.

Administration representatives have stated that REA borrowers care more about the availability of loan funds than about the cost, or interest rate. Based on our experience, this is simply untrue. Telephone systems must pass on to their subscribers the cost of the monies used for capital construction, so any increase in the interest charges for loan funds are directly reflected in rural telephone rates. While NTCA members are indeed concerned about the availability of loan funds, they are also concerned about the already high costs of rural telephone service and the effects of raising local rates still higher. Under the access charge plan subscribers are already facing increases in their local rates. Increased interest rates for REA loans, which would translate into higher monthly subscriber costs, would force local telephone rates up even higher.

It should be noted that the national average basic monthly rate for local telephone service is about \$10 per month, and that even at 5%, the interest on the REA loan would cause rural customers to pay more than the national average. When compounded with the newly devised long distance access charge, such increases in basic monthly rates could boost overall local rural telephone rates to \$25 per month or more. In addition, the rural user has a substantial bill for calls outside the limited local service area that would be considered local calls in urban areas. NTCA members are deeply concerned that many of their customers and in particular, the low-income and elderly, will be forced to drop telephone service. For the first time since the advent of the REA telephone program in 1949, our nation may be shifting away from universal telephone service and losing subscribers.

New REA Policies Needed for the Information Age

Another problem arises from REA's own policies. Rural telephone systems are exploring CATV, answering services, and other communications systems in order to bring the new information technologies to rural businesses and farms. Diversification also will strengthen financial stability and enable small telephone systems to continue to give reasonably priced telephone service to their subscribers.

REA mortgages give REA a first lien on all property including "after-acquired" realty and personalty, regardless of who provided the money to purchase that property. REA stands in first position as long as there is an outstanding REA loan.

This has become an acute problem in this age of deregulation and competition. Under recent court and FCC decisions, telephone companies may now provide new services and equipment on a deregulated basis. The RE Act allows for the provision of such services by REA borrowers and in many cases for REA funds to be used to purchase the necessary equipment. However, current REA policies do not reflect this aspect of the Act.

For example, many of our member systems have been approached by potential customers who want a PABX. This is an inside telephone network for a particular customer of the borrower. Providing a PABX is a deregulated telephone service. REA policy will not provide funds to purchase the equipment. However, REA claims a first lien on these new PABX systems, so that private lenders are not willing to lend funds, either.

At two annual meetings the full membership of NTCA approved resolutions recommending certain changes in the REA program. The first priority among the changes is to alter REA's lien policies. Pending legislation addresses this important area. H.R. 3050, the Rural Electrification and Telephone Revolving Fund Self-Sufficiency Act of 1983, reverses REA's restrictive lien accommodation policies. H.R. 3050 overwhelmingly passed the House earlier this month. A companion bill, S. 1300, is currently pending in the Senate.

For almost two years, NTCA discussed with the Department of Agriculture, without success, the removal of such impediments to obtaining other financing. On April 16, the REA Administrator finally announced his intention to propose regulations governing the use of lien accommodations to attract "outside capital for investment in rural development projects." In his announcement, he acknowledged that "telco management is being compelled to adapt if it is going to survive in this rapidly changing, newly competitive rural telephone climate. Increased diversification of REA borrowers into areas of rural development can strengthen farm communities while enhancing the credit worthiness of these borrowers."

This apparent acceptance of NTCA's long standing position that lien accommodations are needed for diversified operations, however, was not supported by the text of the proposed rule as published in the Federal Register. A preliminary analysis of the proposed rule made it clear that the proposed standards and limitations would perpetuate many of the present problems in obtaining lien accommodations. The Administrator's proposal is therefore not an acceptable substitute for the lien provisions in the pending legislation.

Rural Communications in the Deregulated Era

Developing financial strength through diversification has become more important for small telephone companies, since telephone deregulation is eroding traditional telephone income sources such as customer premise equipment and long distance revenue. In December, 1982, the Federal Communications Commission in Docket 78-72 altered the traditional system of division of telephone industry revenue that has contributed much support to high-cost rural telephone systems. The Commission established an access charge mechanism under which all customers will pay a new monthly charge in return for having the same access to the long-distance telephone network as they now have without an access charge. This new charge will be in addition to the local service rate and to long-distance charges on a usage or per-call basis. Recently, the FCC delayed imposition of multi-line business access charges, due in part to the confusion surrounding its implementation in light of new tariff filing guidelines.

Currently, multi-line business end-user access charges of \$6 per line per month are set to go into effect in June 1984; residential and single-line business access charges will go into effect in June, 1985. There

will be a gradual phase-in of these charges. Residential and single-line business charges will be capped at \$4.00 to 1990. Thereafter, based on the current access charge plan, customers will pay an average federal access charge of about \$8 per month and rural customers, almost certainly more. In addition, states will probably impose a comparable access charge for intrastate calls.

To help keep access charges from rising unreasonably, the FCC established a Universal Service Fund, out of which a portion of high cost telephone systems' fixed costs would be reimbursed. The Commission adopted a method of comparing telephone companies' cost and a level of reimbursement recommended by a Joint Board, comprised of three FCC Commissioners and four state public utility commissioners. NTCA believes this cost comparison method, which is based on a company's actual cost of debt, yet a uniform cost of equity, unfairly prejudices REA borrowers. Additionally, the level of cost reimbursement recommended by the Joint Board will help only some rural customers. Many others will pay substantially more than their metropolitan counterparts.

The new access charge is expected to cause considerable dislocations among rural telephone systems and their customers. Telephone systems which are diversifying their services can share costs through joint operations to provide reasonably priced local telephone service. NTCA member systems continue to extend and improve telephone service. They must also seek to provide other services which meet the demands of their subscribers' telecommunications needs and strengthen their financial base as well.

Also, rural telephone systems are often the only ones interested in providing these information services to their customers. An example is the development of cable television in rural areas. Commercial cable operators are interested in serving only the more densely populated towns. Surrounding farm areas are often not offered service due to the high cost of serving them. Telephone companies, on the other hand, when provided with a CATV franchise, seek to serve as many as possible in the area surrounding rural towns. This is possible because serving the more profitable town makes serving much of the countryside financially feasible. However, once a franchise has been granted for just the town, it is unlikely that any enterprise would find serving the countryside alone a viable project.

PRESERVATION OF THE REA REVOLVING FUND

As the Subcommittee members are aware, high prevailing interest rates have caused an imbalance in the REA Telephone and Electric Revolving Loan Fund. Higher interest rates are charged for Treasury borrowings than the Revolving Fund interest rate (5%). If the gap continues, the fund's total interest expenses will exceed its interest income beginning as early as 1986. H.R. 3050 resolves the problem of balancing the fund's interest income and expenses.

We look forward to providing the Congress with any assistance which may be needed to ensure a stronger REA program. We have faith that the support of this Subcommittee and others in the Congress will continue and that the necessary changes may be made to the Revolving Fund in order to preserve this important source of capital for rural utility development.

CONCLUSION

Without REA programs, few rural telephone systems would have been able to extend affordable service to sparsely settled areas of the nation. Rural telephone service continues to be more costly to provide than does service in urban areas. Recent regulatory and industry changes will increase the rates for telephone service in rural areas. The cuts in REA and RTB lending proposed by the Administration will have an escalating effect on rural rates, pricing many subscribers out of the market and jeopardizing universal telephone service.

In recent years, rural telephone systems have made efforts to diversify services they offer, both to provide new, Information-Age services to their subscribers and also to secure the system's financial future. Such moves are made in order to enable telcos to continue to provide reasonably priced telephone service in high-cost rural areas. However, REA lien accommodation policies have deterred rural systems attempting to diversify. Despite lengthy negotiations with NTCA, Administration officials have not produced changes in policies to resolve this problem.

NTCA urges the Subcommittee to restore the REA lending authority cut by the Administration, and to provide the \$30 million needed to capitalize the Rural Telephone Bank in FY 1985.

On behalf of the members of NTCA and the millions of rural subscribers they serve, I would like to thank the Subcommittee for the opportunity to submit my statement today. We appreciate your efforts to ensure that rural America continues to have the modern telecommunications services so necessary for its development.

U.S. AGRICULTURAL EXPORT DEVELOPMENT COUNCIL

Mr. Chairman and distinguished members of the Subcommittee, the organizations listed on this statement strongly support the objectives of the U.S. Agricultural Export Development Council, i.e., to increase trading opportunities for U.S. agricultural production.

This Council represents 62 organizations which work in nearly 100 foreign countries to develop, expand, and maintain markets for just about every agricultural commodity produced in the United States. The Cooperator program, which works closely with USDA's Foreign Agricultural Service, is the only one devoted entirely to creating and expanding foreign demand for our farm products. It is also an integral part of the USDA farm policy since producers depend on export markets for two out of every five acres planted.

The programs carried out are numerous and varied, but all are designed to develop, maintain, and build markets. Examples of activities are to: promote beef cattle for feed conversion; establish feed lots for the use of feed grains and oilseeds; provide technical assistance for processing and refining facilities; and maintain outlets for U.S. production through nutritional awareness programs in the public schools and technical assistance in milling, baking and marketing. At the Governmental level, we direct our programs toward the removal of tariff and non-tariff barriers which have inhibited U.S. agricultural exports.

Some specific examples of members' activities in 1983 are given in the booklet which we have provided you and your committee members, "Assignment: To Develop and Maintain Foreign Markets for U.S. Agriculture - Achievements 1983." Even a brief reading of the booklet will show that members are very effective in promoting agricultural exports -- our greatest asset in our attempt to improve the balance of trade.

We know this unique joint government-private sector program is the most effective and least expensive longer-term solution to the problems which have beset agriculture in the last few years.

We thank your Subcommittee for supporting our objectives in the past, and we come before you today in support of the President's budget request for 1985. The total funds requested in the FY 85 budget will be more than matched by Cooperator funds. In this regard, we would like to refer you to Attachment II which shows that Cooperators contribute 71% of the total expenditures for overseas market development.

A study in National Food Review, Fall 1983 issue, and research done through the Input/Output Model of the Economic Research Service revealed that each \$1 million increase in U.S. agricultural exports is expected to:

- increase economic activity by \$2.23 million
- increase federal tax revenues by \$30,000

and that each additional billion dollars of agricultural exports will:

- increase employment in the U.S. by 30,000 jobs.

Agricultural exports not only contribute to increased farm prices and general economic activity, but more importantly, assist in reducing Government outlays such as deficiency payments and storage costs.

U.S. agricultural exports fell to \$34.8 billion in 1983 - the smallest amount exported since Fiscal Year 1979. Weak economic conditions abroad, aggressive competitor credit and subsidy programs, a strong U.S. dollar, the textile trade dispute with the People's Republic of China, and debt problems in many developing nations all contributed to weakened U.S. exports. Although the 1984 projection is slightly more optimistic, all signs point to record grain harvests next fall and a big increase in exportable surpluses.

There is also little in the world's economic outlook to suggest a sharply increased demand for U.S. production. Economic recovery in the U.S. is underway and, while prospects look stronger world-wide, improved economic conditions will probably take a full year in the developed countries. And recovery in the Less Developed Countries (LDC) will take even longer. Centrally Planned Economies (CPE) are looking to the U.S. as a possible supplier and our foreign policy should accomodate these new challenges.

USDA's Foreign Agricultural Service and many Cooperators are directing increased funds and emphasis to newer markets in Latin America, the Middle East, Africa and Southeast Asia. Unfortunately, the risks in these markets are greater, promotion is more costly and often more complicated.

We feel, however, that a long-term program is vital despite the risks because it is imperative that we gain a meaningful share of these potentially significant markets. Greater emphasis is also being placed on promoting high value products such as fresh fruit and processed or added value products, the export value of which has increased by approximately 150% in the last ten years. And, we will continue to face strong competition from other exporting countries, which could have a further negative impact on our exports.

Credit

Even the most dedicated skeptic should by now be convinced of the vital role that agricultural exports play in our nation's overall economic health. Also, they should be convinced of the need to provide all possible support to that effort.

Although other factors such as the strong U.S. dollar do play an important role, heavy debt burdens, financial instability and a shortage of foreign exchange are major causes of the reduced demand for U.S. products.

According to World Bank President A. W. Clausen, the total debt of the Less Developed Countries (LDC's) and Centrally Planned Economies (CPE's) reached \$700 billion, requiring over \$70 billion annually for debt servicing. Twenty-one of the largest LDC borrowers had a debt service ratio of 80%, i.e., 80% of their annual foreign exchange earnings were required just to pay recurring interest payments. Many of these countries have debt service ratios of well over 100% and are very important markets for U.S. farm exports. The massive requirement of foreign exchange needed to service existing

debts indicates that little, if any, will be left for critical imports needed for economic growth and development - or even for critically needed food imports. Unfortunately, the situation is expected to continue for the next several years.

Obviously credit is, and will be, essential to meet the demands of the LDC's for U.S. agricultural exports. More than 40% of our farm exports move to the developing world today and the lion's share of export growth in the future is expected to occur in the LDC's. This will only be possible if adequate credit is provided to these buyers.

Many buyers are unable to use GSM-102 due to the strength of the U.S. dollar and the risks involved in exchange rates. Also, the program was not designed to address liquidity problems being experienced by many countries. A possible solution that applies directly to the effect on exports is creation of an exchange-risk insurance program. Under it the buyer could be protected against the risk of increases in the value of the dollar during the repayment period.

Exchange risk is difficult to project. We therefore urge this Committee to encourage the administration to initiate a pilot program which would provide coverage for a limited time and for limited sales so that the results can be studied before expanding such a program.

Another possible solution may be to develop a program to authorize concessional financing for countries not eligible for P.L. 480 Title I financing.

Concessional financing to be made available to countries which have import potential for U.S. farm products but which lack foreign exchange to meet existing import needs. Interest rates would be higher than under P.L. 480 and repayment terms less generous, but sufficiently favorable to secure these sizeable markets for U.S. products and to enable eligible countries to work their way out of existing financial difficulties. In addition to expanding our markets, such a program could:

- help to achieve foreign policy and humanitarian goals of the United States; and
- make possible use of USDA commercial programs for export promotion only in those countries which provide an acceptable risk.

RECOMMENDATIONS

P.L. 480

This year marks the 30th anniversary of the Food for Peace program. It has helped develop markets and fight hunger over the years, but the dollars provided for P.L. 480 have risen only marginally in the past decade. In spite of inflation, today's level of P.L. 480 funding, at \$1.5 billion, is only slightly higher than the 1972 level of \$1.1 billion. Of that amount, cargo preference - subsidies to U.S. shipping companies - takes about \$100 million, thus directly reducing the amount of commodities that move to LDC's under the program. An expanded P.L. 480 program level will:

- enable the U.S. to respond to the rising hunger crisis in Africa;
- allow increases in USDA's food sales and donations of such commodities as cotton, fats and vegetable oils, feed grains, rice, wheat and wheat flour;
- assist the U.S. in surplus disposal and reduce the U.S. cost of commodity price support and storage;
- assist in developing the industry and thus the economies of the less developed countries; and
- represent a net increase in world exports and not displace U.S. or foreign commercial sales.

We believe P.L. 480 should be increased by at least \$500 million to a total program level of \$2 billion. We also recommend that USDA be given more of a primary decision making role to make sure that P.L. 480 aid will assist in developing future markets for U.S. agricultural production.

GSM-102

While the P.L. 480 program needs to be increased, the major credit source for agricultural exports is GSM-102. This program, which is a government guarantee of private commercial credits, expanded last year to \$4.8 billion.

In 1984 USDA requested \$9 billion in GSM-102 as many countries needed more credit and the world economy continued in the doldrums. As a result of pressure from the agricultural community, OMB finally relented and raised the GSM-102 level from only \$3 billion to \$4 billion. Additional amounts are still needed in this year.

For FY 1985 the President's budget includes only \$3 billion, even though additional credit is needed to counter the price cutting practices of competitors such as Canada and Australia.

While the U.S. economy is on the upturn, there is no evidence of a reduced need for credit by our customer countries and we feel that \$9 billion in 1985 is the minimum amount of GSM-102 credit which will be needed.

Blended Credit

Last year a new program, blended credit, was developed to counter the lower interest credits of our competitors. About \$250 million of GSM-5 at zero interest was combined with four parts GSM-102. That program has been sharply curtailed this year because of complaints from Canada and Australia to the State Department and the Office of the U.S. Trade Representative. Its use should be limited to counter predatory subsidies.

Intermediate Credit

There also continues to be interest in reviving the GSM-201 and GSM-301 intermediate credit programs, even though they have not been funded in recent years.

Under the GSM-201 program, loan terms of 3 to 10 years can be offered for livestock to upgrade herds.

The GSM-301 program would provide intermediate term credits for the purchase of U.S. agricultural commodities. The country receiving the credit could use the money it earned from the in-country sale of the commodity to construct a project, and would pay back the U.S. from the proceeds when that project became operational. Today even more countries need help in improving their infrastructure - elevators, ports, feedmills, oilseed crushing plants, refrigeration and storage facilities, if financing could be offered under a GSM-301 program.

These intermediate credit programs were just getting underway when the funding was cut off, thus rendering useless the sizeable effort that went into it and sorely disappointing customer countries who were developing projects such as bulk handling facilities, which would have increased their import potential.

We recommend that this Committee authorize \$50 million for these two Intermediate Credit Programs.

Revolving Credit Fund

We continue to believe that the most satisfactory way of funding these programs is the establishment of an Export Credit Revolving Fund which was authorized in the 1981 Farm Bill but never implemented. If such a fund had been established, we believe that USDA program managers, recognizing fund limitations, would have had the control needed to allocate credit where exports could be maximized at an acceptable risk. This program would offer some flexibility where P.L. 480 or GSM-102 guarantees would not be appropriate.

Credit Summary

Credit programs are vital to maintaining and increasing U.S. agricultural exports in order to:

- develop and maintain long-term markets;
- reduce the costs of stock maintenance and supply adjustment programs;
- maintain farm prices;
- create jobs; and
- generate new tax revenue.

Moreover, the programs assist in managing the international debt crisis and maintaining the financial viability of our customer nations so that they can become even better trading partners for U.S. farm production.

We need to fund these programs on a continuing basis and build an on-going reliable relationship with our customer countries. On-again, off-again credit policies do not sustain long-term confidence in the U.S.

With today's strong competition, with the strong dollar, with the heavy debt overhang, and with a sluggish world economy, credit is the lifeblood of our agricultural exports.

Conclusion

For the information of the Subcommittee, we have attached statistical information on the investment and return of foreign market development.

You will note from Attachment IV that the United States provides very modest funding for foreign market development in comparison with our competitor countries.

We believe that the importance of agricultural exports to the entire U.S. economy will continue to play an important role in restoring prosperity to the U.S. as there are many groups that gain direct benefits from exports. Included among these are food, feed and fiber handlers, processors, the transportation industry, farm machinery and equipment manufacturers, fertilizer and chemical industries, banks and insurance companies.

Our program is also the key to getting foreign brokers, wholesalers, retailers, crushers, feed compounders, and even foreign governments to provide resources that help us to promote our agricultural production.

We need to expand our marketing capability in untested waters while not losing ground in our established markets. We therefore urge this Committee to support our 1985 budget request.

I will attempt to answer any questions you may have or furnish additional material for the record if needed.

Thank you for the opportunity to testify.

ATTACHMENT I.

SUMMARY OF RECOMMENDATIONS

1. We support the President's 1985 Budget request for the Foreign Agricultural Service.
2. P.L. 480 should be increased by at least \$500 million to a total program level of \$2 billion.
3. \$9 billion is the minimum amount needed for the GSM-102 Credit Guarantee Program.
4. GSM-201 and GSM-301 Intermediate Credit Programs should be funded with at least \$50 million.
5. The Revolving Credit Fund should be allocated some initial (start-up) funding.

ATTACHMENT II.

HISTORICAL SUMMARY
VALUE OF U.S. FOREIGN TRADE AND TRADE BALANCE

FISCAL YEARS 1970 - 1983

FISCAL YEAR	U.S. EXPORTS				U.S. IMPORTS				TRADE BALANCE			
	: AGRICUL- :		: NON-AGRI :		: AGRICUL- :		: NON-AGRI- :		: AGRICUL- :		: NON-AGRI- :	
	TOTAL	CULTURAL	TOTAL	CULTURAL	TOTAL	CULTURAL	TOTAL	CULTURAL	TOTAL	CULTURAL	TOTAL	CULTURAL
	-----million dollars-----				-----million dollars-----				-----million dollars-----			
1970	6,598	34,337	41,295	17	5,686	33,379	39,065	15	+1,272	+958	+2,230	-989
1971	7,955	35,928	43,883	18	6,128	38,744	44,872	14	+1,827	-2,816	-987	-9,293
1972	8,242	36,633	44,875	18	5,936	45,926	51,862	14	+2,306	-9,293	-2,515	-9,672
1973	14,984	47,759	62,743	24	7,737	57,521	65,258	12	+7,247	-9,672	-1,044	-12,572
1974	21,559	63,423	90,982	24	10,031	81,995	92,026	11	+11,528	-6,073	+6,309	-14,696
1975	21,817	83,178	104,995	21	9,435	89,251	98,686	10	+12,382	-14,696	-2,446	-33,917
1976	22,742	89,047	111,789	20	10,492	103,743	114,235	9	+12,250	-33,917	-23,300	-47,825
1977	23,974	95,144	119,118	20	13,357	129,061	142,418	9	+10,617	-47,825	-34,422	-41,785
1978	27,289	104,270	131,559	21	13,886	152,095	165,981	8	+13,403	-41,785	-25,992	-49,552
1979	31,979	135,639	167,618	19	16,186	177,424	193,610	7	+15,793	-49,552	-26,347	-52,054
1980	40,481	169,753	210,234	19	17,276	219,305	236,581	7	+23,205	-52,054	-25,484	-57,177
1981	43,788	185,415	229,203	18	17,218	237,469	254,687	6	+26,570	-57,177	-33,429	-69,970
1982	39,094	176,311	215,405	18	15,346	233,488	248,834	6	+23,748	-69,970	-46,226	-92,200
1983	34,771	159,317	194,142	18	16,368	229,341	245,709	7	+18,403	-92,200	-73,797	-106,603

SOURCE: 1970-1983 USDA, ERS. U.S. Foreign Ag. Trade Statistical Report Fiscal Year 1981, Page 1.

ATTACHMENT III.

FISCAL YEAR EXPENDITURES OF FEDERAL FUNDS AND
COOPERATOR CONTRIBUTION AND TOTAL AGRICULTURAL EXPORTS

FISCAL YEAR	(1) FEDERAL FUNDS		(2) FAS		(3) TOTAL		(4) COOPERATOR		(5) TOTAL		(6) FUNDS DISTRIBUTION		(7) COOPERATOR		(8) AGRICULTURAL EXPORTS		(9) FEDERAL		(10) MARKET DEVELOPMENT COSTS	
	PROJECTS		FAS		TOTAL		FUNDS		TOTAL		FEDERAL		COOPERATOR		AGRICULTURAL EXPORTS		FEDERAL		COOPERATOR	
	::		::		::		::		::		::		::		::		::		::	
	-----		-----		-----		-----		-----		-----		-----		-----		-----		-----	
					\$1,000						% of TOTAL				\$ MILLION		% of Export Value			
1971	8,847	858	13,705	18,613	32,315	42	58	7,955	.23											
1972	10,054	1,730	11,874	20,605	32,389	36	64	8,242	.25											
1973	10,045	930	10,975	22,112	33,087	33	67	14,984	.15											
1974	10,234	658	10,892	23,342	34,234	32	68	21,559	.11											
*1975	11,739	830	12,659	26,997	39,566	32	68	21,817	.12											
1976	10,922	796	11,718	24,158	35,876	33	67	22,742	.11											
1977	11,719	798	12,517	29,420	41,937	30	70	23,974	.12											
1978	13,926	879	14,805	35,331	50,136	30	70	27,289	.13											
1979	16,709	963	17,672	39,660	57,332	30	70	31,979	.12											
1980	16,778	1,165	19,943	46,373	67,316	30	70	40,481	.12											
1981	20,195	1,014	21,209	51,502	72,711	29	71	43,788	.12											
1982	20,641	878	21,519	54,804	76,323	28	72	39,094	.14											
1983	23,373	869	24,242	58,993 (est.)	83,235	29	71	34,771	.17											

* Cover 15 month period

FOOTNOTES:

- (1) FAS Expenditures for Cooperator Projects
 (2) FAS Expenditures for own projects
 (3) Column (1) + (2)
 (4) Cooperator expenditures from own and related funds including foreign
 (5) Total expenditures for foreign market development
 (6) & (7) Share of total expenditures by source
 (8) Value of total U.S. exports of agricultural commodities
 (9) & (10) Market development costs as percent of value of total exports

NOTE: If forest products are included, the agricultural exports for 1982 would total \$41.9 billion, and the Federal and cooperator market development costs would be .05 and .13 percent respectively; 1983 would total \$37.6 billion, and the Federal and cooperator market development costs would be .06 and .16 percent, respectively.

Source: USA/FAS/CFP/EPD/PDB 2/2/84

Table 1. Agricultural Exports and Market Development Expenditures of the United States and Its Principal Competing Countries 1/ 1980-82

ATTACHMENT IV.

COUNTRY	REVISED 1980			REVISED 1981			ESTIMATED 1982		
	EXPORTS : \$ BIL. Dol.	MARKET : DEVELOPMENT : \$ MIL. Dol.	PERCENT : OF EXPORTS : Pct.	EXPORTS : \$ BIL. Dol.	MARKET : DEVELOPMENT : \$ MIL. Dol.	PERCENT : OF EXPORTS : Pct.	EXPORTS : \$ BIL. Dol.	MARKET : DEVELOPMENT : \$ MIL. Dol.	PERCENT : OF EXPORTS : Pct.
Australia 2/	9.2 (8.3)	67.8 (60.9)	.73	9.5 (8.2)	78.7 (68.3)	.83	8.7 (7.9)	78.0 (70.7)	.89
Canada 3/	7.2 (6.3)	6.0 (7.0)	.08	7.9 (9.4)	5.7 (6.6)	.07	8.3 (10.2)	12.2 (14.5)	.14
Denmark 4/	4.3 (24.1)	26.2 (147.1)	.61	4.1 (29.3)	21.3 (153.0)	.52	4.0 (33.4)	20.4 (169.7)	.51
France 4/	18.3 (77.7)	18.9 (80.5)	.10	17.5 (96.4)	16.3 (90.6)	.09	15.8 (103.1)	17.2 (112.1)	.11
Israel 4/ 5/	.9	9.9	1.10	.9	5.2	.56	.9	13.1	1.46
Netherlands 4/ 6/	16.1 (32.1)	52.6 (104.9)	.53	15.9 (39.7)	48.7 (121.6)	.51	13.9 (37.0)	44.2 (117.6)	.52
New Zealand 7/	4.2 (4.2)	31.3 (31.8)	.76	4.3 (4.7)	44.1 (37.7)	.80	4.2 (4.6)	35.9 (46.7)	.97
South Africa 4/	2.3 (1.6)	17.9 (13.9)	.77	2.2 (2.0)	20.0 (18.0)	.90	2.0 (2.1)	14.7 (15.7)	.75
TOTAL	\$62.5	\$250.6	.57	\$62.3	\$240.2	.59	\$57.8	\$235.7	.41
UNITED STATES 4/	\$40.5	\$41.5	.10	\$43.8	\$44.1	.10	\$39.1	\$50.2	.15

1/ Exchange rate source: Treasury Reporting Rates of Exchange, Department of the Treasury Fiscal Service, Bureau of Government Financial Operations. Figures in parenthesis are expressed in the respective country's domestic currency.

2/ July-June fiscal year date.

3/ Export data based on calendar year, market development expenditures on April - March fiscal year.

4/ Calendar year date.

5/ Source for export date is 1981 FAO Trade Yearbook and Agricultural Counselor, Embassy of Israel. Israeli data is reported in U.S. dollars, the unit of account prevalent in Israel for reporting market development expenditures and exports. To convert these figures to Israeli Shekels for comparison's sake would not be meaningful due to the Shekel's steady devaluation vis a vis the U.S. dollar.

6/ 1980 and 1981 exports were taken from the 1981 FAO Trade Yearbook, United Nations.

7/ Export data based on calendar year, market development expenditures are aggregated over various fiscal years.

8/ October - September fiscal year date. Includes FAS funds and U.S. market development cooperator contributions.

FAS/ISAP/EAP/DOE/1985

CENTER FOR SCIENCE IN THE PUBLIC INTEREST

STATEMENT OF BRUCE A. SILVERGLADE, DIRECTOR OF LEGAL AFFAIRS, AND MITCHELL ZELLER, STAFF ATTORNEY

The Center for Science in the Public Interest (CSPI) welcomes this opportunity to address several matters currently pending at the Food and Drug Administration (FDA) as part of this subcommittee's consideration of FDA's Fiscal Year 1985 budget.

CSPI is a non-profit consumer health organization that specializes in food, drug and related health issues. CSPI was founded in 1971 and is supported by 30,000 dues-paying members as well as the sale of publications and foundation grants.

The basic concern we stated before this Subcommittee during last year's appropriations hearings bears reiteration today as the subcommittee examines FDA's Fiscal Year 1985 budget: FDA has failed to devote adequate resources necessary to protect consumers from several major public health threats. Accordingly, a reallocation of budgetary resources together with a reordering of FDA priorities is urgently needed.

1. Safety Review of Sodium Chloride

As we stated in our testimony last year, the FDA, the Surgeon General, and virtually every major health organization in this country have agreed that people consume sodium in excess of their physiological needs and that sodium is a factor in the development of hypertension. 47 Fed. Reg. 26,581, 26,592 (1982). Sixty million Americans have varying degrees of hypertension which increases one's risk of suffering a heart attack or stroke. 47 Fed. Reg. 26,580 (1982). More than 700,000 Americans die each year from these diseases. "Monthly Vital Statistics Report," National Center for Health Statistics, Vol. 32, No. 1 (April 18, 1983). Furthermore, the FDA has estimated that hypertension-related diseases result in \$8 billion in health care costs alone. Calendar of Federal Regulations, 47 Fed. Reg. 1770 (January 13, 1982).

Currently, it is difficult to avoid a diet high in sodium because the greatest source of sodium in our diets comes from sodium chloride (salt) that is added to processed foods. Therefore, using less salt at the dinner table, alone, will rarely solve the problem of excess sodium consumption.

FDA has been reviewing the safety of sodium chloride added to processed foods since 1979. FDA's safety review of sodium chloride was part of a comprehensive review of hundreds of food ingredients previously thought to be Generally Recognized as Safe (GRAS).

FDA's procedures for what is known as the GRAS Review require the agency to make a determination regarding the safety of a substance upon receiving a report from the Federation of American Societies for Experimental Biology, an outside advisory committee that evaluates the safety of substances on the GRAS list for FDA. 38 Fed. Reg. 20,053 (1973). See also 21 CFR § 170.30(f). The agency has the choice of affirming that the substance is safe, restricting the use of the substance as a food additive, or finding that it is exempt from the food additive provisions of the Food, Drug and Cosmetic Act.

Approximately 468 such substances were reviewed by FDA's advisory committee. In only two instances did the committee conclude that the use of a substance be restricted. In the first case, FDA dutifully published a regulation that restricted the use of the substance, lactic acid. In 1979, FDA's advisory panel also recommended that the agency develop guidelines to restrict the amount of sodium chloride that can be added to processed foods. 47 Fed. Reg. 26,592 (June 18, 1982). In this case, however, the agency decided to indefinitely defer a regulatory decision on the safety of sodium chloride. 49 Fed. Reg. 15,512 (April 18, 1984). This decision defeats the purpose of the GRAS Review, namely, to ban or limit the use of unsafe substances and to dispel any lingering concerns about the safety of substances that are to remain in the food supply.

FDA has stated that the GRAS Review was voluntarily initiated and, thus, its decision to defer the safety evaluation of sodium chloride is somehow consistent with its regulations. 49 Fed. Reg. 15,512 (1984). The fact of the matter is that the President ordered the agency to undertake the GRAS review in 1970, after several GRAS substances proved to be dangerous. 38 Fed. Reg. 20,054 (1973). Furthermore, FDA's own regulations state unequivocally that the agency must either affirm the safety of the substance under review or restrict its use. 21 CFR § 170.30(f). In the instant case, FDA has not taken either step.

FDA has also claimed that it has indefinitely deferred its safety review because it is difficult to restrict the addition of sodium chloride to processed foods. 49 Fed. Reg. 15,512 (1984). The agency neglected to state that it has already undertaken a preliminary review of the sodium content of foods in all major food categories and identified discretionary uses of sodium chloride that could be eliminated or reduced without affecting the quality or taste of the food. See "Analysis of the Estimated Added Sodium Content and Identification of Possible Substitute Ingredients for Sodium-Containing Ingredients in Processed Foods," Food and Drug Administration (June 30, 1981). Moreover, the FDA could complete its safety review of sodium chloride without having to order restrictions on the use of the substance. For example, the agency could affirm sodium chloride as safe on the condition that all foods bear sodium labeling. Infra, p. 6. In any event, it is practical for the FDA to complete the safety review of sodium chloride and the agency is in fact required to do so in accordance with its own regulations.

We therefore urge the Subcommittee to request that FDA follow its GRAS Review regulations and proceed with the safety evaluation of sodium chloride. In so doing, we request that the Subcommittee ask FDA to submit a timetable for the completion of the safety evaluation of sodium chloride within three months of the publication of the full Committee's report.

2. Sodium Labeling

FDA's advisory panel also found that sodium labeling would be a useful measure in conjunction with the issuance of guidelines restricting the amount of sodium chloride that can be safely added to processed foods. 47 Fed. Reg. 26,592 (1982). By disclosing the sodium content of all processed foods on container labels, individuals could comparison-shop and avoid purchasing high-sodium products. Recently the FDA issued a final rule, 49 Fed. Reg. 15,510 (1984), that rejected this approach in favor of a voluntary labeling program that the agency earlier admitted will leave 50 percent of the food supply unlabeled. 47 Fed. Reg. 26,593 (1982). In choosing a voluntary approach, FDA acknowledged that it was ignoring the desires of the great majority of consumers who wrote the agency and urged adoption of a mandatory labeling rule. 49 Fed. Reg. 15,510 (1984).

The progress of the voluntary sodium labeling program, which was actually first announced in April 1981, has been woefully inadequate. After three years under the voluntary plan, sodium labeling has risen from 13 percent to only 30 percent of packaged food sales. 49 Fed. Reg. 15,511 (1984). Thus, contrary to the agency's contentions, voluntary compliance is neither an efficient nor effective means of protecting the public health.

Moreover, FDA's voluntary program fails to ensure that a balanced cross-section of the food supply will bear sodium labeling. In its report to this Subcommittee, FDA stated that 42 of 51 food groups bear sodium labeling. Report of the Food and Drug Administration's Progress in the Areas of Sulfiting Agents, Diet Pills Containing PPA, and Sodium Labeling (FDA Progress Report), p. 3. However, FDA's own survey data indicate that 29 of the 51 food categories (57 percent) have less than 25 percent of their products sodium labeled, thus denying consumers a useful choice between high and low sodium products in a majority of food categories. See, Food Label and Package Survey (FLAPS), Food and Drug Administration, 1983. Unless sodium labeling appears on a

balanced cross-section of all foods, individuals cannot make meaningful use of the sodium information that is available to comparison-shop and purchase low-sodium foods.

We continue to believe that the agency is wasting valuable resources on its voluntary program. Current monies and staff allocated to overseeing the voluntary plan, which has included many valuable staff hours devoted to meeting with the food industry in the hope of encouraging voluntary compliance, would be more properly utilized if budgeted for the development of a proposed rule to require the disclosure of the sodium content of all processed foods.

CSPI shares the views expressed by the Senate Appropriations Committee in Senate Report 98-160. The committee stated it was "concerned about what appears to be the lack of significant progress in FDA's voluntary sodium labeling program." S. Rep. No. 98-160, 98th Cong., 1st Sess., p. 105. The track record during the last three years offers little encouragement that a voluntary approach will result in a workable labeling program. CSPI therefore urges the Subcommittee to reiterate its request of last year that FDA submit a timetable that sets out the framework for implementation of a mandatory labeling program. We suggest that the Subcommittee request that this timetable be submitted no later than the end of 1984.

3. Sulfiting Agents

We informed the Subcommittee in 1983 that sulfiting agents, a group of additives used in foods and drugs which FDA had initially proposed to affirm as Generally Recognized As Safe (GRAS) were, in fact, capable of causing life-threatening reactions among asthmatics and other sensitive individuals. At that time, FDA had received a report that one person had died from sulfite-treated food. Since our testimony last year, FDA has been informed of a second sulfite-related death and received reports of numerous other life-threatening reactions. The second

death was similar to the fatality reported to the Subcommittee last year. The victim was an asthmatic who unknowingly consumed sulfite-treated restaurant food.

FDA now concedes that as many as a million asthmatics and an undetermined number of non-asthmatics are known to be sulfite-sensitive. In response to an inquiry from this Committee, FDA's Acting Commissioner Dr. Mark Novitch recently stated FDA has made progress towards protecting the public from this hazardous chemical. FDA Progress Report, p. 1. Among the steps taken was an FDA recommendation that state health authorities require restaurants to disclose the use of sulfites so that sensitive individuals could avoid eating foods treated with the chemical. Dr. Novitch also mentioned the appointment of an advisory committee to further study the use of sulfiting agents in food. Both of these actions are ineffective.

First, the agency recommended that states, who participate in the Model Food Code Program, should reinterpret the Code to require the disclosure of sulfites in restaurants and other retail food establishments. We understand that only one state has adopted the reinterpretation. Thus, the recommendation has gone unheeded.

The futility of FDA's approach is illustrated by a case recently reported to the agency. In that case, the victim knew she was sulfite-sensitive but had been erroneously assured by restaurant personnel that her food was sulfite-free. After ingesting the food, the victim suffered an asthma attack and fell into a coma for three weeks. To date, she has only partially recovered. It was later discovered that the food the victim ate arrived unlabeled at the restaurant, but had been treated with sulfites at the wholesale level. Ironically, this woman wrote FDA in June, 1983. She informed the agency that she had previously suffered several life-threatening reactions to sulfite-preserved restaurant food and asked the agency to assist persons in her predicament.

FDA's recent decision to appoint an advisory committee to study the sulfite problem is another example of a typical bureaucratic response to a serious health problem -- avoid decisions by appointing a committee. See 49 Fed. Reg. 15,021 (April 16, 1984). This committee will only further delay the agency's safety evaluation. The advisory committee's report is not due until March of 1985. At that point FDA intends to start the rulemaking process all over again by drafting a new proposed rule to supersede the flawed July 1982 proposal that would have affirmed sulfiting agents as GRAS. The new proposed rule might not appear until late 1985 or early 1986. In any event, contrary to FDA assurances in its Fiscal Year 1985 budget justification document, it will be nearly impossible for the agency to meet the timetable set out in Senate Report 98-160 for Fiscal Year 1984, which required the agency to issue a final rule on sulfites by the end of 1985.

In addition to these two actions, Dr. Novitch recently announced that FDA will issue a regulation to require the label disclosure of sulfites. This regulatory response is inadequate because FDA has been unable or unwilling to exercise jurisdiction over alcoholic beverages -- one of the most dangerous uses of sulfites. The agency has already received numerous reports of asthma attacks from wine and beer suspected of containing sulfites.

We are further dismayed by FDA's unwillingness to press for the removal of sulfites from asthma medications, in light of the effects of these substances on asthma sufferers and Dr. Novitch's statement at a recent National Consumer Exchange Meeting that acceptable alternatives to sulfites are available. We understand that the agency is instead preparing a proposed rule that would require a warning statement on sulfite-preserved drugs. Semiannual Regulatory Agenda, 49 Fed. Reg. 15,875 (April 19, 1984). Such a rule would be of little help to consumers. It

is as illogical as allowing brakeless automobiles on highways as long as each car bears a warning that alerts the driver to the danger of driving the car.

Overall, we remain greatly concerned about FDA's failure to sufficiently address the public health problems posed by sulfiting agents. In light of the agency's actions to date, we urge the subcommittee to direct FDA to expedite its handling of the sulfite problem, to ensure that FDA will meet the committee's express desire for final rules restricting the use of these substances in both foods and drugs by the end of 1985. Due to the impracticality of FDA's approach to this problem to date, we further request the Subcommittee to direct FDA to issue a report analyzing alternative solutions to the sulfite problem.

4. PPA

In our testimony last year we alerted the subcommittee to the slow pace of FDA's safety and efficacy review of over-the-counter (OTC) weight control diet aids containing an amphetamine-like substance known as phenylpropanolamine (PPA).

FDA commenced a review of the safety and efficacy of over-the-counter (OTC) drugs more than 10 years ago. The review calls for advisory panels of outside experts to review the safety and efficacy of various classes of OTC drugs and issue a report with recommendations to the FDA. FDA then publishes the report in the Federal Register for comment and later proposes a rule regulating all factors relating to the safety and efficacy of the class of drugs under review. That is how the OTC review is supposed to work. In reality, the OTC review has had a checkered history, proceeding at an extremely slow pace that has frustrated the drug industry and consumer organizations alike.

This Committee, in Senate Report 98-160, requested that FDA announce a date in its next semi-annual regulatory agenda when a proposed rule governing the uses of PPA-based diet aids would be published. The agency failed to do so. FDA now states

that it "expects" to publish a proposed rule on weight control products in 1984 and a final rule by the end of 1985. Fiscal Year 1985 Justification of Appropriation Estimates for Committee on Appropriations, p. 17; FDA Progress Report, p. 3. Given FDA's track record, we are extremely skeptical of FDA's timetable. For example, the advisory panel that reviewed OTC weight-control products finished its report on PPA and other diet aids in March of 1979. It took FDA an additional three years just to publish the panel's findings, with a brief preamble. 47 Fed. Reg. 8466 (1982).

It is clear that certain preliminary steps to control the availability of these pills should be taken immediately. For example, FDA has already recognized that PPA-based diet pills are hazardous to persons with hypertension because the pills have a tendency to raise blood pressure. Accordingly, FDA has advised producers to include a label statement warning consumers with high blood pressure to use the drug only as directed by a physician. 21 CFR §369.20. Sixty million Americans suffer from definite or borderline hypertension. 47 Fed. Reg. 26,580 (1982). However, overweight people develop hypertension anywhere from 1.6 to 4 times more often than people of normal weight. Berchtold, P., *et al.*, Int. J. Obesity 5, Suppl., 1-7, 1981; Kannel, W.B., Annals Int. Med. 67, 48-59, 1967; Gould, W.L., N.C. Med. J. 11, 327-334 (1950). Thus, the target population to whom these products are being marketed suffers from the very disorder for which PPA is contraindicated. Moreover, approximately 15 million Americans who have high blood pressure do not know it. "Blood Pressure Levels and Hypertension in Persons Aged 6-74 Years in the United States 1976-1980", National Center for Health Statistics Advance Data #84 (October 8, 1982). These people may take PPA-based diet pills not knowing it could cause them to suffer a life-threatening reaction. Thus, based on the information that is already available, FDA should make these drugs available only by prescription. Before prescribing the drug, doctors would test

patients' blood pressure to ensure that no one with hypertension uses the medication.

Furthermore, the prompt completion of the safety and efficacy review is now more essential than ever before because there is increasing evidence that these drugs should perhaps be banned entirely for weight control use. Since we last testified before this Subcommittee in 1983, FDA has been informed that PPA-based diet pills have been linked to at least 17 cases of strokes, seizures, and other cardiovascular damage among previously healthy dieters who had taken standard or slightly elevated doses of diet pills. These reports followed six published medical reports describing consumers of PPA-based diet pills who developed elevated blood pressure that would be sufficient to cause life-threatening brain damage. It has also been discovered in the last year that a 1983 industry-sponsored study was aborted when blood-pressure readings rose to unexpectedly risky levels.

We remain deeply concerned about the slow pace of the OTC diet pill safety evaluation. We urge the subcommittee to request that FDA allot whatever resources are necessary to ensure that the agency meets its stated deadline for having a proposed rule published by the end of 1984 and a final rule removing these drugs from the OTC market by the end of FY 1985.

Conclusion

With FDA's budget remaining at the same basic funding level as in previous years, it is incumbent on the agency to make the most efficient use out of its allotted dollars. Unfortunately, the three issues we have addressed demonstrate that FDA is using its budget and manpower inefficiently, to the detriment of the public health. The agency is waylaying the safety review of sulfites for up to two years while it fiddles with setting up a committee to "study" the problem, rather than using currently available funds and personnel to promulgate a regulation that will restrict the use of these dangerous chemicals as soon as

possible. FDA has indefinitely deferred its safety review of sodium chloride, a food additive linked to heart disease, the leading cause of death in this country. FDA is wasting scarce funds overseeing a voluntary sodium labeling program that is not succeeding, instead of promptly developing a proposed rule that would truly benefit the public by requiring sodium content disclosures on all processed foods. Lastly, the agency is placing a low priority on its safety review of PPA-based diet pills, rather than taking quick and effective action to remove these harmful products from the OTC market.

We urge the subcommittee to carefully scrutinize FDA's allocation of resources for these and other health issues. The public, through its elected representatives, needs a commitment from FDA to use whatever resources that can practicably be allotted to achieve effective public health regulation.

NATIONAL ORGANIZATION FOR RARE DISORDERS, INC.

STATEMENT OF ABBEY S. MEYERS, CHAIRPERSON, GOVERNMENT AND INDUSTRY LIAISON COMMITTEE

Background

The National Organization for Rare Disorders (NORD) is a national voluntary agency which represents the needs of millions of Americans with rare "orphan diseases."

NORD grew out of an informal coalition of people with rare disorders and voluntary agencies who were concerned about the orphan drug dilemma. Orphan drugs are pharmaceutical products which, because they cannot be sold to large populations of patients, have been deemed unprofitable. As a result, important new therapies which alleviate pain and save lives of people with rare disorders, were not being manufactured in the past. Some of these therapies were being mixed and encapsulated by hand in academic laboratories, some were being smuggled from foreign countries, and others were simply unavailable to patients who suffered intense needless pain and anguish until January 4, 1983 when the Orphan Drug Act (PL97-414) was signed into law by President Reagan.

A brochure describing NORD and its programs is attached for your review. An updated list of voluntary agency members is attached to this statement for inclusion in the record.

The Orphan Drug Act

The Congress recognized that drugs of little commercial value (orphan drugs) were not being manufactured in the U.S. because they were unprofitable. The Act provides financial incentives which will encourage pharmaceutical manufacturers to develop orphan drugs. The incentives include a tax credit of 23¢ on every dollar spent on CLINICAL research which is required for FDA approval. It also allows for an expedited approval process based on a smaller quantity of evidence proving that a drug is safe and effective. This lesser standard of evidence was needed because the FDA could not expect a drug sponsor to perform extensive clinical testing on large numbers of patients since rare diseases affect only small populations of people.

The Orphan Drug Act also authorized an appropriation of \$4 million per year for each of three years. This research money was to be awarded by the DHHS Orphan Products Board to scientists whose proposals for orphan drug research were "approved" but not funded by any of 17 federal agencies included: NIH, FDA, CDC, Veteran's Administration, etc.

Asst. Secretary for Health, Edward Brandt (who is Chairman of the Orphan Products Board) requested the full \$4 million appropriation which was to be appropriated through FDA's budget for FY1985. Secretary Heckler signed that request. However, the Office of Management and Budget (OMB) denied the request, and it has not been forwarded to the Congress.

The Need

Before the Orphan Drug Act was passed by Congress, Rep. Jamie Whitten, Chairman of the House Agriculture Appropriations Subcommittee, realized that people were suffering, and indeed dying of several orphan diseases for which drug therapies were known, but unavailable to patients and physicians

Mr. Whitten ordered the FDA to create a program to encourage development of orphan drugs. Subsequently, the FDA created the Office for Orphan Product Development. In addition, Mr. Whitten appropriated an extra half million dollars to initiate that program, and last year (FY1984) he increased that appropriation to \$1 million. These funds are restricted to FDA (other federal research programs are excluded) and can only be used for clinical research.

Last year, FDA's limited orphan drug grant funds amounted to \$500,000. Fifty-seven orphan disease scientists applied for those funds. Only

12 grants were awarded. FDA dug into its FY1984 appropriation in order to award these 12 grants for a total amount of \$700,000. Fully half of these 57 grants should have been funded, but FDA did not have sufficient funds to assure that all projects of scientific merit would be funded.

How does the \$4 million appropriation differ from FDA's program?

The \$4 million authorized by the Orphan Drug Act will fund both clinical and pre-clinical research on orphan drugs. FDA's orphan drug program funds only clinical research on drugs which already have substantial evidence that they will be safe and effective therapies for rare diseases. A great many therapies are known to the scientific community as probably effective, but they have not yet been adequately used in humans. These drugs are not yet eligible for commercial sponsorship because the Orphan Drug Act's tax incentives cover only clinical...NOT pre-clinical drug trials.

In addition, the \$4 million will be awarded to scientists NOT by the FDA, but rather by the DHHS Orphan Products Board. That Board, composed of representatives of many research institutions and programs, will be able to award the grant money to any of 17 federal agencies according to need. For example, the National Institutes of Health, the Center for Disease Control, Veteran's Administration, etc., would be eligible for those grant funds. Each of these agencies needs those monies for the specific types of disorders about which they are concerned. For example, the Center for Disease Control (CDC) is concerned about contagious diseases such as AIDS, Toxic Shock Syndrome, Legionnaire's Disease, etc., while the Veteran's Administration's orphan drug interests lie in areas related to tropical diseases which affect U.S. military personnel in tropical climates. Other federal agencies do not commonly fund research on these types of diseases, and funding for scientists who investigate these disorders is extremely difficult to obtain. As a result, many scientists are forced to leave rare disease research and find more lucrative work in areas related to more populated disorders.

Summary

The \$4 million appropriation authorized by the Orphan Drug Act is sorely needed. The Department of Health and Human Services is aware of this intense need, and requested the full \$4 million which was authorized by the Act. People with rare, chronic and debilitating disorders were shocked and dismayed to learn that personnel at OMB, who know nothing about this intense need, overruled the wisdom of the Secretary of DHHS, the Assistant Secretary of Health, and the leaders of America's major research and health institutions who are members of the Orphan Products Board.

We, who live with the pain, disfigurement and anguish of debilitating orphan diseases, request the Agriculture, Rural Development and Related Agencies Subcommittee of the U.S. Senate, to appropriate the \$4 million authorized by the Orphan Drug Act. Potentially, this very small and seemingly insignificant amount of federal dollars can decrease a huge amount of disability in this nation. These funds represent hope to millions of Americans with orphan diseases, and will affect those important new therapies which are still ignored by the pharmaceutical industry. Without these federal funds, many valuable orphan drugs will never reach the stage of development which will allow them to be "adopted" by commercial sponsors.

We thank the Subcommittee for its concern and assistance. We sincerely hope that you will listen to our plea and act in the best interests of Americans with more than 5,000 orphan diseases who are counting on your support.

Thank you.

NORD MEMBERS

The Alexander Medical Foundation
American Narcolepsy Association
Amyotrophic Lateral Sclerosis Society of America
Center for Neurologic Study
Cornelia de Lange Syndrome Association
Cystic Fibrosis Foundation
Cystinosis Foundation
Dysautonomia Foundation, Inc.
Dystrophic Epidermolysis Bullosa Research Association
Epilepsy Foundation of America
Friedreich's Ataxia Group in America, Inc.
Gaucher's Disease Registry
Guillain-Barre Syndrome Support Group
Huntington's Disease Foundation of America
International Joseph Disease Foundation
Malignant Hyperthermia Association of the United States
Myoclonus Families United
National Association for Sickle Cell Disease
National Ataxia Foundation
National Head Injury Foundation
National Huntington's Disease Association
National Multiple Sclerosis Society
National Neurofibromatosis Foundation
National Tuberous Sclerosis Association
Paget's Disease Foundation
Parkinson's Disease Foundation
Parkinson's Educational Program - USA
Prader-Willi Syndrome Association
Tourette Syndrome Association, Inc.
United Parkinson Foundation
Wilson's Disease Association

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